

Contains index

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS OF THE
BRITISH COMMONWEALTH

CONTENTS

The Naval Conference

Great and Small States at Geneva

Indian Reforms: The Princes' Standpoint

China through the Ages

Reflections on the Industrial Situation

India: Constitutional and Political

Great Britain: The Ministry and Public Opinion

Ireland: Events in the Free State

Canada:

A Survey of the Economic Situation—The Anglo-Russian Trade Agreement—The United States and Canadian Commuters

Australia:

The Working and Development of the Australian Constitution—Political Chronicle

South Africa:

The Parliamentary Session—The Precious Stones Bill

New Zealand:

Internal Politics—Singapore and Locarno

SEPTEMBER

MCMXXVII

NUMBER 68

Price 5/-

THE NAVAL CONFERENCE

THE failure of the Conference at Geneva to reach an agreement is the most serious setback there has been to the mutual relations of the English-speaking peoples since the rejection of the League of Nations by the United States. To some extent it undoes the work of the Washington Conference in 1921-22. The English-speaking peoples then congratulated themselves on having taken the lead in the limitation of naval armaments, and on having set a standard to which it was hoped that the nations of Europe would also conform. This vision has now faded away. The United States and Great Britain, having agreed to parity in battle fleets, have proved unable to agree about the minor category of auxiliary cruisers, thereby ranging themselves with all the other Powers who are too fearful, or too suspicious, or too ambitious to agree to limit their preparations for war. Japan alone came well out of the Conference, both in her willingness to meet the views of her fellows and in her efforts to compose their differences.

There is, however, no ground for tragic forebodings. Public opinion on both sides of the Atlantic has shown marked good sense and restraint, despite the efforts of certain sections of the Press and the propaganda of sinister interests to stampede it into that antagonism and rancour in which the seeds of competition and war so readily grow. And the Conference itself was able to announce that its work was only "adjourned," so that the normal political

The Naval Conference

machinery might be brought into play to complete it before the era of competitive replacement of battleships opened in 1931.

None the less, failure at Geneva will make it less and not more easy to reach agreement in future, unless the reasons for the present failure are understood and the discussion renewed on a better and higher plane. If that happens, if the public discussions at Geneva have so educated the public opinion of the three countries in one another's difficulties that agreement on a foundation of mutual understanding becomes possible, then good will have come out of what looks to-day like evil. In this article it is proposed to summarise briefly exactly what happened at Geneva, and to make some suggestions as to the angle from which a renewal of the discussions should be approached in the future.

I. THE WASHINGTON CONFERENCE

THE original Conference for the limitation of naval armaments which met at Washington in 1921 was summoned by President Harding in order to stop the competition in naval armaments between the leading naval Powers, which was clearly incipient after the great war, in the interests of peace, economy and international good relations. It was opened by the dramatic suggestion of Mr. Hughes, the American Secretary of State, that the leading naval Powers should sink a considerable amount of naval tonnage including new ships then under construction and confine their navies to certain defined limits, on a proposed ratio of 5 : 5 : 3, for the United States, the British Empire and Japan respectively. After some discussion, this proposal was adopted so far as battleships and battle cruisers were concerned. The total tonnage of battleships retained by the United States and the British Empire was a little over 500,000 each, and by Japan a little over 300,000, and

The Washington Conference

a schedule of replacement was drawn up to commence in 1931, limiting the new vessels to a displacement of 35,000 tons and to guns of a maximum size of 16-inch, so that at the end of the period of replacement the tonnage of the three navies would be in the exact ratio of 5 : 5 : 3, and the guns of the same size. An equivalent limitation for France and Italy, giving them a ratio of about 2 as compared with the 5 : 5 : 3, was also agreed to.

Unfortunately, the Washington Conference, despite its other successes, was unable to apply this limitation to the lighter form of cruisers, destroyers or submarines, partly because the needs of the three countries in these classes of ships were so different, partly because of the refusal of France to limit the number of her submarines. All that could be agreed to was that light cruisers should not exceed 10,000 tons displacement, nor carry larger guns than 8-inch. No limitation was placed on the number of such cruisers to be built by the several Powers, nor on the number or size of destroyers or submarines.

There were two other essential ingredients in the agreement. The first was the dropping of the Anglo-Japanese Alliance, which dated from 1904. The Anglo-Japanese Treaty had provided for co-operation between the two Powers in the event of war with any third Power, but it contained a clause excluding the United States from its scope by making it inapplicable to nations with which Great Britain had a treaty of arbitration. American public opinion, however, had always viewed the alliance with great suspicion as seeming to commit Great Britain to intervention on the side of Japan in the event of a conflict between the United States and Japan. On strong pressure from Canada, and, so it was alleged, as a condition of American acceptance of the naval pact, the Anglo-Japanese Alliance was replaced, by mutual consent of the two parties, by a rather vague and meaningless four-Power treaty of friendship and non-aggression between the United States, the British Empire, France and Japan. The second

The Naval Conference

ingredient was an undertaking by Japan, the United States, and the British Empire that the *status quo* as regards naval bases and fortifications in the Pacific would be maintained, and that no new forts or bases would be constructed in the competitive area of the western Pacific. The effect of this clause was to give each Power control over its own zone, Japan over the far-eastern waters, the United States over the central and north Pacific, the British Empire over the waters around Australia and Singapore, and it made the fighting of a naval war between them practically impossible.

The Washington treaties were the first great accomplishment in the limitation and reduction of armaments by treaty in modern times. They were agreed to because all the parties were willing to make considerable sacrifices for the cause of peace and friendship. The United States surrendered the right to build the largest fleet in the world, at a time when, as the richest Power in the world and the one least burdened by war debts, she certainly could have seized naval supremacy, so far as numbers and size of ships were concerned. Great Britain voluntarily surrendered that supremacy on the seas which had been her proudest possession for two centuries, and sacrificed also the Anglo-Japanese Alliance which had given security to her Far-Eastern territories for nearly twenty years. Japan abandoned all thought of expansion outside the Far-East or of ever building a fleet equal to that of the United States or of the British Empire, and also the Anglo-Japanese Alliance. It was a happy augury that perhaps the lessons of the great war and of the terrible danger latent in competitive armaments had been learnt, at any rate in some quarters.

II. THE REVIVAL OF COMPETITION

BY 1926, however, it had become plain that, while the Washington Treaty had been faithfully observed by all parties, a competition in shipbuilding was inevitably setting in in those categories of ships, to the building of

The Revival of Competition

which no limitations had been set. It is extraordinarily difficult to find any agreed figures as to what the exact position is. Every Admiralty—and still more every national navy league—presents a different estimate of the relative position of the three Powers. The British official Admiralty return (Cmd. 2809) states that on February 1, 1927, the position was as follows :

Flotilla Leaders				
Cruisers. and Destroyers. Submarines.				
British Empire ..	48	174	55	} BUILT.
United States ..	32	309	121	
Japan	33	109	58	
France	16	54	44	
Italy	14	71	42	
British Empire ..	14	2	9	} BUILDING.
United States ..	5	—	3	
Japan	6	18	19	
France	5	30	43	
Italy	2	8	15	
British Empire ..	9	27	18	} PROJECTED.
United States ..	13	12	4	
Japan	4	15	6	
France	2	19	20	
Italy	3	8	3	

These figures, of course, include ships of all classes and sizes, and a comparison of their value is only possible to an expert.

The really contentious point, however, in connection with these unlimited classes, concerned the 10,000-ton 8-inch gun cruisers. So far as we can ascertain, the British Empire has five ships of this type practically complete and seven more building, including two for Australia. The United States laid down two in 1926 of rather higher speed and horse-power, and last June let contracts for six more,* and both Powers have other vessels of the kind projected. Japan laid down four of them in 1924-25, and projects four more. France has four building, and Italy two. Two more

* Further, Japan has two 7,100-ton ships built and two building, and Britain one of 8,400 tons building, all with 8-inch guns.

The Naval Conference

are projected by the former and three by the latter, presumably of a similar type.

Both the British and the United States Governments felt that the incipient competition thus beginning in the unlimited classes should be stopped. The British Government was concerned not only to stop competition in the cruiser, destroyer and submarine classes, but also, in the interests of economy, to secure an extension in the life of existing battleships and battle cruisers, and also to ensure that when scrapped they should be replaced by smaller and less expensive types of vessels. The United States Government was concerned to stop competition in cruiser building and to confine the number to the lowest figure possible.

The initiative was actually taken by President Coolidge, though the British Government was also considering calling a conference at the time. On February 10, 1927, the President formally proposed to the Governments signatories of the Washington Treaty that they should authorise their delegates to the Preparatory Commission on Disarmament which was about to meet at Geneva to try to arrange among themselves for "an agreement for further naval limitation." President Coolidge explained that agreement to limit armaments either by air, land or sea, between any group of Powers would help towards general disarmament, and that, as no general treaty of disarmament was likely to be arrived at for some time, the naval question might well be dealt with without delay, but as part of the larger whole. He added that he felt that "the general principles of the Washington Treaty offer a suitable basis" for the discussion and that the United States Government was "disposed to accept in regard to those classes of vessels not covered by the Washington Treaty an extension of the 5 : 5 : 3 ratio as regards the United States, Great Britain and Japan."

The point of view of the President was made clear in his message to Congress on the same subject. He said that "the signatories of the Washington Treaty have

The Revival of Competition

fulfilled their obligations faithfully," but that the importance of the extension of that agreement to cover cruisers, destroyers and submarines was "apparent, since it was only to be expected that the spirit of competition, stifled as regards capital ships and aircraft carriers by the Washington Treaty, would sooner or later show itself with regard to the other vessels not limited under the Treaty." He added significantly :

Actually I do not believe that competitive building of these classes of ships has begun. Nevertheless, far-reaching building programmes have been laid down by certain Powers, and there has appeared in our own country, as well as abroad, a sentiment urging naval construction on the ground that such construction is taking place elsewhere. In such sentiments lies the germ of renewed naval competition.

This invitation was refused by France and Italy, both of which had bitterly resented the position of naval inferiority which they had accepted under the Washington Treaty and were determined not to be drawn into a legal limitation in the class of vessel on which they principally relied for their own defence. It was accepted by the British Empire and Japan. In its reply, the British Government stated that its views upon the special geographical position of the British Empire, the length of inter-imperial communications, and the necessity for the protection of its food supplies are well-known, and, together with the special conditions and requirements of the other countries invited to participate in the conversations, must be taken into account. The Conference, composed of the delegates of these three Powers, with "observers" from France and Italy, opened at Geneva on June 20, 1927.

The Naval Conference

III. PUBLIC OPINION IN THE COUNTRIES CONCERNED

BEFORE dealing with the events of the Conference it may be as well to try to describe as briefly as possible the point of view of public opinion in the three Powers concerned at the time of the opening of the Conference.

In the United States a considerable body of opinion seems to have felt, or at least to have been educated by navy propagandists to believe, that, somehow or other, the United States had been "fooled" in 1921. At the date of the Washington Conference she had under construction nine of the largest battleships and six of the largest battle cruisers, some of 43,000 tons displacement and carrying 16-inch guns. The battleships aggregating 357,000 tons and the battle cruisers 261,000 tons were 43 per cent. and 10 per cent. completed respectively. The British Empire had no battleships or battle cruisers under construction, having completed an adequate navy during the war. Japan had a largely paper programme of 161,000 tons. The United States, so she thought, had sea-supremacy in her grasp. In the interest of peace, international amity and economy, she had thrown away this supremacy and accepted parity with the British Empire and the 5:3 ratio with Japan. In doing so, she scrapped a total of 755,540 tons, as against 180,800 scrapped by the British Empire, of which 552,800 tons were new ships under construction, as against no new ships under construction scrapped by the British Empire. These figures in neither case include obsolete ships. It was pointed out by Mr. Bridgeman at Geneva that the British Empire had altogether scrapped 1,797,000 tons of battleships, cruisers and destroyers since the war.

During the following years, however, parity had steadily been passing from the United States. Battleships and battle cruisers had remained as laid down in the Treaty,

Public Opinion in the Countries Concerned

but the British Empire, as has been pointed out above, already had under construction or ordered twelve 10,000-ton cruisers and Japan four, as against two building for the United States, and three authorised but not begun.* There was nothing contrary to the agreement in this, but, none the less, public opinion, or such part of it as studied the question, seems to have been increasingly resentful of the United States' position of inferiority in modern cruisers and increasingly inclined to think that Great Britain had stolen a march on her and, in contravention not of the letter but of the spirit of the treaty, once more recovered the supremacy she had exchanged for parity in 1921. Some wilder spirits even asked, "Whom are these cruisers being built against? Not against Germany. Not against Japan. It must be against the United States."

Hence, when the Conference opened public opinion in the United States was mainly concerned with the idea of extending "parity," the underlying concept of the Washington Treaty, to cover all classes of ships possessed by the British Empire and the United States, preferably by reducing the total tonnage to the lowest possible level, but if that were not possible by building up to the British level. There must, in any case, be no more "superiority."

The British point of view was different. Public opinion was not much concerned with the United States at all. It had accepted the idea of "parity" at Washington and had no idea of departing from it. It certainly was not idiotic enough to think that it could recover "superiority" by means which were open to the whole world to observe. It was wholly concerned with providing for the minimum "needs" of the far-flung British Empire at the lowest possible cost. It was thinking about the sea communications between Great Britain, Canada, Australasia and South Africa, the fact that there was never more than seven weeks' food supply in Great Britain, the security of raw

* Further cruisers, according to Cmd. 2809, are projected by all three Powers, but, except in the case of four for Japan, the type is not stated.

The Naval Conference

material supplies, the need for ships to patrol the Mediterranean, the Red Sea, the Persian Gulf, the territorial waters of Africa, India, Singapore, and so on. When the Admiralty said that a certain number of cruisers of the 10,000-ton type defined at Washington were necessary, mainly because of what certain other Powers on the Empire's lines of communication were building, it had reluctantly but ungrudgingly agreed to find the money. When the Government said that the minimum number of cruisers necessary to the security of the Empire was 70 as opposed to 114 before the war, and proposed to reduce the size and cost of all classes of ships, battleships, battle cruisers, cruisers, destroyers and submarines alike, in the future, so as to keep the cost of armaments as low as possible, British public opinion acquiesced without demur and without question.

The position of Japan seems to have been different again. Her main preoccupation was to keep intact the *status quo* in the Pacific, as created under the Washington Treaty, and otherwise to cut down expenditure on armaments to the absolute minimum. Experience of the immense power and wealth of the United States during the last few years appears to have destroyed whatever jingoistic ideas Japan may have had of "expansion" beyond the Far-East, and to have convinced all classes that what mattered was to keep the position they had won, at the lowest possible cost.

IV. THE PROCEEDINGS AT GENEVA

THE speeches at the opening plenary session of the Geneva Conference followed very closely the public attitude of their respective countries. Mr. Gibson, the American delegate, after pointing out that the present American inferiority in cruisers was due in large measure to a reluctance to embark on an extensive building pro-

The Proceedings at Geneva

gramme so long as there was any hope of an early limitation agreement, said :

Our policy with respect to naval armaments is guided solely by the desire for adequate defence. We have no intention of maintaining a naval force which could be regarded as a threat to any Power. Neither have we any desire to initiate a competitive building programme in any class of vessel, which might influence others to lay down more vessels than they would otherwise consider necessary.

Pursuant to this policy, the United States is prepared to accept a general programme providing for as low a total tonnage in each class of auxiliary vessels (*i.e.*, cruisers, destroyers and submarines), on the basis of the Washington Treaty ratio, as will be acceptable to the other Powers.

He then proposed that the total tonnage limitation should be as follows : In cruisers 250,000 to 300,000 for the United States and the British Empire, and 150,000 to 180,000 for Japan ; in destroyers 200,000 to 250,000 and 120,000 to 150,000 respectively ; in submarines 60,000 to 90,000 and 36,000 to 54,000 respectively.

Mr. Bridgeman, head of the British delegation, spoke second, and after emphasising the special needs of the British Empire, owing to its geographical distribution, said that the main purpose of the British Government was :

To secure economy in the replacement of ships as they become obsolete, and to eliminate the danger of rivalry in new vessels by stabilising their size and armament.

With this object the proposals which he made were as follows :

(1) The extension of the accepted life of the existing capital ships from 20 to 26 years, and a consequential waiver by the three Powers of their full rights under the replacement tables agreed upon at Washington. Such an arrangement would naturally have to provide for some little elasticity on each side of that figure.

(2) The fixing of the life of other vessels, first that of 8-inch gun cruisers at 24 years, secondly destroyers at 20 years, and thirdly submarines at 15 years.

(3) The reduction in the size of any battleships to be built in the

The Naval Conference

future from the present limit of 35,000 tons displacement to something under 30,000 tons.

(4) Reduction in the size of guns in battleships from the present limit of 16-inch to 13.5-inch.

(5) Limitation of the displacement of aircraft carriers to 25,000 tons instead of the present limit of 27,000 tons.

(6) Reduction of guns on aircraft carriers from 8-inch to 6-inch.

(7) Acceptance of the existing ratio, 5 : 5 : 3, for cruisers of 10,000 tons displacement carrying 8-inch guns. The number of these large cruisers which each of the three countries requires can be the subject of further discussion.

(8) A limitation of 7,500 tons and 6-inch guns to be placed on all future cruisers after the number of 10,000-ton cruisers has been decided upon.

(9) The limitation of displacement of destroyer leaders to 1,750 tons and destroyers to 1,400 tons.

(10) Guns in destroyers to be limited to 5-inch.

(11) As regards submarines, he said that the British Empire was still prepared to abolish them, but recognised that other Powers possessing fewer large vessels would not agree. He therefore proposed their limitation to two categories, one of 1,600 tons and the other of 600 tons.

Admiral Saito, for the Japanese delegation, considered that "the most important object of an agreement" lay "in preventing the expansion of armaments without at the same time endangering the national security of any Power." He thought that the best test of each country's needs was what it possessed to-day, and he therefore proposed that the auxiliary fleets should be stabilised on the basis of existing fleets and that no new building operations should be entered upon by any Power.

The Conference then went into committee. But it was not long before signs of disagreement made themselves felt. We do not propose to attempt a detailed narrative of the charges and counter-charges which were made. There appears to be little doubt that a sensation-loving press and propagandists representing various interests and policies contributed to create an atmosphere of suspicion and discord. But this does not seem to have interfered with the work of the delegates themselves, whose differences were the

The Proceedings at Geneva

outcome of the real difficulty in reconciling the needs and points of view of the Powers concerned. A provisional arrangement was reached by the technical committees about the size and armament of destroyers and submarines. The consideration of the British proposals for extending the life and reducing the size of battleships and battle cruisers was adjourned on the ground that France and Italy, the other parties to the Washington Treaty, were not present and that, as no replacement was due to take place before 1931, there was plenty of time to deal with them later on, before fresh expenditure on replacement fell due. But on cruisers the Conference gradually reached a position of deadlock.

Though the public discussion of the problem has been confused by all sorts of technical considerations and by proposals and counter-proposals for compromise, the fundamental difficulty is simple to understand. The British Government is convinced that the Empire needs 70 cruisers, large and small, for patrolling its coasts and sea routes. It is willing to reduce the number of 10,000-ton 8-inch gun cruisers to the minimum necessary for use with the battle fleet, *i.e.*, 10 or 12, and as regards the balance of its quota to build ships of much smaller size armed with 6-inch guns. But it cannot do with less than 70 as compared with the 114 it had before the war. The United States, on the other hand, has little or no use for small cruisers, for she has few overseas possessions or sea routes to patrol, while such ships as she does possess must be able to sail the 2,100 miles between the mainland and Hawaii and the 4,000 miles between Hawaii and the Philippines, across the Pacific Ocean, without refuelling or repair. Such tonnage as she wants in cruisers she wants in the long radius 10,000-ton type and not in the small cruiser which suits the British Empire, with its frequent bases and coaling stations.

The main dilemma which confronted the Conference, therefore, was simply this. If the number and size and

The Naval Conference

armament of auxiliary cruisers were to be specified by classes in such a manner as to ensure exact parity between the two navies, inevitably either the quota of small vessels suitable for patrolling trade routes would be too small for the needs of the British Empire, or the United States would have to build a great many small ships, for which she has no use whatever, if she was to maintain parity. Alternatively, if auxiliary cruisers were to be treated as a single class with a maximum tonnage limit, there would be only theoretical and not actual parity, for, although the British Empire could obtain the 70 ships it requires by building most of its quota small, the United States, which has no similar need of small vessels, would naturally use her quota to construct a smaller number of large ships, which would give her battle supremacy. For, as the battles of Coronel and the Falkland Island amply proved, the more powerful cruisers can destroy the smaller cruisers before the guns of the latter have come into range at all. The deadlock was due to the impossibility of reconciling the needs of parity and security, in the cruiser class alone, between two Powers so utterly different in their needs and geographical situation as the British Empire and the United States.

Various proposals were made for breaking the deadlock, the most important of which was one for a naval holiday. We do not propose, however, to try to follow the inner proceedings of the Conference, partly because there is no accurate information yet available about them and partly because they did not, in fact, succeed.

As soon as this deadlock had been reached the British delegates were summoned to London to discuss the problems with the Cabinet. As a result they returned to Geneva with a proposal which did not differ very much from one previously put forward jointly by the British and the Japanese delegations in response to an invitation from Mr. Gibson. Its main features were as follows :—

The Proceedings at Geneva

(1) The combined total tonnage of cruisers, destroyers and submarines not to exceed 590,000 for the United States and the British Empire (as against the maximum of 640,000 originally proposed by the United States), and in addition each Power was to retain 25 per cent. of these tonnages in over-age ships, bringing the gross total up to 737,500 tons.

(2) Certain specified ships of an intermediate size, between the 6,000 and 10,000-ton level, and of about equal size and strength, to be kept by each Power.

(3) The 10,000-ton cruisers to be limited to 12 for the United States and the British Empire, and 8 for Japan.

(4) The limitation in size of destroyers and submarines broadly to be on the lines already provisionally agreed.

(5) Except for a limitation of the number of 10,000-ton cruisers and of the maximum tonnage of 590,000 prescribed in (1), the total tonnage to be allotted as each Power thinks best.

It is possible that had proposals of this kind been submitted to the Conference in its early stages they might have formed the basis of agreement. It was, however, now too late. Public opinion in each country had begun to consolidate behind its own national point of view. As a result, at the end, neither Government, despite the conciliatory efforts of the Japanese, felt able to make the further move necessary for agreement. The Conference, however, did not break up in any spirit of bitterness. It agreed to "adjourn" the discussion so that it might be continued under more favourable conditions later on.

The exact point of difference on which the Conference split was defined in the agreed statement in the following terms :—

The American delegation presented the view that within total tonnage limitations, which they initially suggested should be between 250,000 and 300,000 tons in the cruiser class for the United States and the British Empire and between 150,000 and 180,000 tons for Japan, each of the Powers should have liberty to build the number and the type of vessel which they might consider best suited to their respective national needs, with freedom, subject to the limitation of the Washington Treaty, to arm these vessels as they saw fit.

The British delegates, whilst putting forward proposals tending to a limitation of the size of vessels of all classes, have opposed the

The Naval Conference

principle of limitation by total tonnage alone on the ground that the largest ship and the heaviest gun permissible must inevitably become the standard. They desired first a strict limitation of the number of 10,000-ton 8-inch cruisers, and secondly the establishment of a secondary type of cruiser of a maximum displacement of 6,000 tons, carrying guns of a maximum calibre of six inches. The British delegates contended that the establishment of this type would alone enable the British Empire, within a moderate figure of total tonnage, to attain the numbers which it regards as indispensable to meet its special circumstances and its special needs. . . .

Various methods were considered of reconciling the divergent views indicated above, but, while material progress has been made, and the points of divergence reduced, no mutually acceptable plan has been found to reconcile the claim of the British delegates for numbers of vessels, for the most part armed with 6-inch guns, with the desire of the American delegates for the lowest possible total tonnage limitation with freedom of armament within such limitation, subject to the restriction as to armament already set by the Washington Treaty.

In the final plenary session the chief delegates officially restated their respective points of view. Mr. Bridgeman had already made it clear that Great Britain did not contest the principle of parity. Now, speaking in the name of the whole British Empire delegation, he pointed to the British disregard of American superiority in destroyers and submarines as a proof that we are not nervous about any danger from American action. He laid stress on the far-reaching proposals for limiting the size and gun power and cost of all classes of naval ships which he had put before the Conference; he emphasised the fact that experience showed that any attempt to limit by total tonnage alone inevitably aggravated competition and expense because every nation felt itself forced to build the maximum size ships allowed, and that the only practical method was to limit by type and class. He asked why the United States at a conference called to limit naval armaments insisted on the right to build large numbers of auxiliary cruisers of maximum size and maximum gun power; he pointed out once more how vital an adequate number of small ships was to

The Causes of Failure

the existence of the British Empire, and asserted that in reducing the number of cruisers from 114 to 70 it had brought its navy to the very minimum.

Baron Saito recalled the efforts made by the Japanese to effect agreement, and regretted that they had been unable to reconcile the divergent views of the British and the Americans.

Mr. Gibson said that the United States was mainly concerned with the reduction of armaments, that he could not understand why the British Empire had insisted on an increase both in the number of the cruisers at present in commission and in the total of 450,000 tons for cruisers which it had accepted at Washington. He said that the British proposals would have meant that the Empire would get the ships it required, but that the United States would be denied the types she needed while having actually to add to her total armament if parity were to be maintained, and that the only practical course was to fix total tonnage in each class so that each Power could build the type of ships it chose, subject to an agreement that if any signatory considered the action of its neighbours a menace it could terminate the treaty. He thought that such an arrangement should not be difficult of acceptance if the possibility of war was really outlawed, as was so repeatedly declared.

A few days after the adjournment Lord Balfour stated that Mr. Gibson had been misinformed when he said that Great Britain had accepted a total tonnage of 450,000 for cruisers at Washington. He quoted his own speech to show that this figure had applied only to cruisers required as auxiliaries to the battle fleets.

V. THE CAUSES OF FAILURE

WE do not propose to attempt to try to assess the rights or wrongs of the two cases. Nothing is easier in matters of this kind than to say "the other fellow was to blame." Each nation has a natural sympathy with its

The Naval Conference

own delegates' point of view and a natural difficulty in understanding the other nation's standpoint. It is that kind of recrimination which breeds the anger and bitterness on which suspicion and competition thrive and the seeds of war grow. None the less, it is essential to estimate as dispassionately as possible why the breakdown occurred, in order that its lessons may be learnt for the future.

The first, and we think the primary, cause of failure was a woeful mistake in method. The subject-matter brought before the Geneva Conference was precisely the question which the Washington Conference—despite its success and the favourable atmosphere in which it worked—had been unable to settle—the auxiliary cruiser question. Yet it would appear that no informal consultation had taken place between the Governments, either to ascertain one another's point of view or to try to reach a formula upon which a detailed agreement might be successfully based. It is the A.B.C. of diplomacy as it is of business that some kind of preparatory feelers should be put out so as to make sure that there is reasonable ground for agreement before a formal conference takes place. Yet in this case the delegations met and hurled at one another's heads in public proposals which were substantially the same as those which had failed at Washington and which were so far apart as to prejudice the chances of agreement from the start. Open diplomacy is certainly an improvement on secret diplomacy. In any case it is unavoidable in these days of universal democracy. But the essence of open diplomacy is not that the principals should have no prior consultation and that the whole delicate process of negotiation should be conducted in the limelight of a sensational press and amid all kinds of malicious and selfish propaganda, but that the formal discussion leading to agreement should be in public, so that public opinion may know what is being done and be able to express its approval or dissent. The method pursued at Geneva seems to have combined the disadvantages of both secret and open diplomacy. There was

The Causes of Failure

complete secrecy before the Conference on the part of all the Governments, while every stage of the difficult and technical negotiations was conducted, if not in public, in an atmosphere of rumour and tendentious information which rapidly produced a condition of public opinion in each country which made agreement almost impossible.

Then the personnel of the delegations was inadequate. It was substantially a conference of admirals or admiralty chiefs. The British Empire was most nearly represented by political figures, for its delegation included representatives of the Dominions and Lord Cecil—a Cabinet Minister well versed in international negotiation. But the head of the delegation was Mr. Bridgeman, the First Lord of the Admiralty, who by the nature of his office was bound to be profoundly influenced by professional considerations. The American delegation was even more professional. It had in it no first class political figure at all, for its head, Mr. Gibson, had never filled any political office, and of five members three were admirals. When it referred home for instructions, moreover, it appealed, so it seems, to a conference of the Navy Department and the State Department, for the effective political head, President Coolidge, was far away in the West.

Hence the Conference degenerated almost at once into a technical debate between the admiralties. It is the duty of the admiralty of every nation to provide against all possible contingencies. Its business is not to think about policy, but how to win a war if it comes. It is the universal rule among English-speaking democracies that the head of the fighting departments should be a civilian and that no professional soldier or sailor should sit in the Cabinet. Yet in this all-important conference the professional sailors were, to all intents and purposes, placed in control. It is no blame to them that the discussion at the Conference proceeded on the basis of what might happen in war, if one nation had a few more ships or a few heavier guns than the other. It is their job to do the best they can for their own

The Naval Conference

navy. Contrast this with the proceedings at Washington, where the American delegation consisted of Mr. Hughes, Senator Lodge, Senator Underwood and Mr. Elihu Root, while the British Empire delegation consisted of Lord Balfour, Lord Lee of Fareham, Sir Auckland Geddes, Sir Robert Borden, Senator Pearce, and others. At Washington political considerations were dominant. At Geneva they hardly ever made their influence felt, and there was no one of sufficient standing at the head of the Conference to lift it out of the technical and contentious rut.

None the less, despite all these difficulties, we think that the two Governments ought to have arrived at an agreement and that they showed a lamentable lack of vision and statesmanship in not doing so. Stripped of all technical details, the issue on which the Conference split was simply that Great Britain would not sign an agreement which gave the right to the United States to have a few more 10,000-ton 8-inch gun cruisers as against her own larger number of smaller cruisers, because it might be interpreted as a formal surrender of naval equality, while the United States would not sign an agreement which gave the British Empire a small excess in tonnage for use as small cruisers, with which to patrol its far-flung confederacy of peoples, because it might be interpreted as a surrender of the sacred doctrine of parity. If either side had given way a little, there would have been agreement.

The practical difficulty lies in the fact that the conditions and needs of the two countries for auxiliary cruisers are so different that they cannot possibly be expressed in identical terms. The British Empire needs seventy, mostly small, cruisers because it has the shores and communications of a Commonwealth which contains a quarter of the population of the world scattered all over the globe to protect and patrol. It is in the interest of peace and of the United States herself that it should do this work efficiently whether in peace or war. Great Britain has constantly to think, not about the United States, but about the European and other

The Basis for a Fresh Start

Powers along whose coasts her vital communications lie. Yet the United States Government was not large-minded or statesmanlike enough to say "Very well ; we are not going to quarrel because you have a slightly larger tonnage in those 6,000-ton 6-inch gun cruisers which we do not need." The United States, on the other hand, in so far as she needs auxiliary cruisers, wants wide radius ships for use in the Pacific. Yet the British Government was not large-minded and statesmanlike enough to give practical effect to Sir Austen Chamberlain's statement to the House of Commons and say "Very well ; we are not going to quarrel because you want to put into 10,000-ton ships some of the tonnage which we must put into 6,000-ton ships, even though that does mean that you will have a slight superiority in battle power, for war between us is unthinkable." If both sides had approached the problem in this spirit is there any doubt that an agreement would have been reached, not only about cruisers, but also about destroyers and submarines, that the relations of the two halves of the English-speaking world would have been immensely improved, and a fresh impetus would have been given instead of a fresh obstacle presented to the cause of a general limitation of armaments and international peace ? We repeat, it showed a lamentable lack of statesmanship on both sides that neither was able to pronounce these simple and healing words.

VI. THE BASIS FOR A FRESH START

THE important thing now, however, is not the past, but the future. The matter of immediate concern is to prevent any kind of competitive building between the two peoples. That is more difficult if there is no precise limitation to which all must conform. No admiralty thinks that it has equality until in fact it has superiority, and it is difficult for public opinion to follow the technical arguments involved. Competition, therefore, is much easier to start than may sometimes appear. For the

The Naval Conference

moment, however, we must rely upon the good sense of the Governments and peoples concerned.

In any case, however, the British Empire should make no additions to its programme, whatever the United States may do. The weakest part of the British case is the number of 10,000-ton cruisers it has laid down or projected since 1922. That has been a main root of the trouble and no adequate reason for this step has yet been made public. The British Empire must certainly have the ships necessary for security—whatever that number may be. But its security is not menaced by the United States. For this reason and because the United States can financially afford to build five ships to our one, we ought not to be drawn into any kind of competition, whatever she may do in response to the Geneva breakdown. The only serious danger to Anglo-American relations lies in competition.

But in the long run the solution cannot be put in naval terms alone. It will come most easily if there is an understanding about policy—about the purpose for which naval power is to be used.

The failure at Geneva is fundamentally due to the decline in international idealism since 1919. During the war all right-minded citizens believed that somehow or other the fruit of the universal sacrifice would be a world of closer international co-operation in which war would be abolished, at least between the great civilised Powers. The Covenant of the League of Nations was the outward and visible sign of that inward and spiritual hope. These war-time hopes, however, have not been realised. The League has been established and has done good work, but it has been paralysed partly by inner discords inside Europe, partly by the refusal of the United States to co-operate. On both sides of the Atlantic selfishness rather than "world-mindedness" has been the rule. The Washington Conference caught the last rays of war-time idealism. The Geneva Conference is the inevitable result of post-war self-centredness.

The Basis for a Fresh Start

If the two halves of the English-speaking world continue as they are at present it will be very difficult for them to avoid drifting into antagonism and competition. If they think only of themselves, the United States will claim that position of predominance which wealth and numbers place within her grasp; the British Empire will follow suit in defence of its own security and existence. Other nations will then fall into line behind one or other, and the scene will have been set for a world war which will end civilisation. If, on the other hand, the two halves of the English-speaking people put first the realisation of that ordered world which they both so ardently hoped for during the war, a world in which justice and liberty and peace are secure, they will cease to cavil at one another's armaments and work together without difficulty to find the solution for the supreme problem of our time—the ending of war.

Before this can happen two things are necessary. The first is that the United States should reconsider her attitude towards the rest of the world. She does not yet realise what she did in rejecting the League of Nations (and incidentally in upsetting the delicate machinery created by the Peace Treaty for European reconstruction in 1920) and her refusal to put any alternative in its place. Political isolation and naval parity, which are the two cardinal principles of American external policy to-day, are not constructive policies. They are in their essence purely self-centred, and as such are leading the United States and the world towards the abyss as certainly as the feuds of Europe are. This does not necessarily mean that the United States should join the League of Nations. The situation to-day is very different from what it was in 1920, and a different approach to the problem may be necessary. But it means that she should be willing to enter into active and continuous and unreserved co-operation with her fellow nations in the search for world justice and world peace. Without her co-operation no real progress can be made; with it anything is possible.

The Naval Conference

The second essential is that the nations of the British Commonwealth should make a much more serious effort to understand the problems and difficulties of the United States. They have, no doubt, much ground for resentment against her since 1919. But resentment is a poor guide in the matter of policy. If the United States is to be brought into the family of nations for the sake of world peace it will be because the limits of what she can do are clearly understood. The United States is quite unlike any ordinary "nation." She has a population of 120,000,000 scattered through a country as large as Europe. She has a form of government totally unlike the Parliamentary and responsible systems usual elsewhere. Partly because of the size of the country, partly because of the form of its constitution, the Government of the United States is weak and public opinion dominant, to an extent almost unintelligible to the stay-at-home European. If we are to have confident relations with the most powerful nation in the post-war world our diplomacy must understand and accommodate itself intelligently to the constitution and political necessities of the United States. The failure at Geneva was to some extent due to the failure of the British Foreign Office and the British delegation to understand the right way of dealing with the Government and the public opinion of America. Every student of American affairs knew that parity was the essence of the problem so far as the United States was concerned. Yet, with the best intentions in the world, the British delegation ignored the question until President Coolidge sent a blunt statement that the Conference must fail unless Great Britain said at once that she accepted it. The British Government and the Foreign Office to-day seem as far from knowing how to deal with the United States as the British Government and Colonial Office twenty years ago were from knowing how to deal with the Dominions. One of the first necessities is that those who take part in the public life of Great Britain should try to understand the public life of America better, and in this

The Basis for a Fresh Start

work the Dominions, and especially Canada, can play an invaluable part.

There is no use expecting the United States to take a British or a European view of world problems, or making it a *sine qua non* that she should join the League or the International Court. The problem must be thought out *de novo*, for her method of approach will be quite different. There is in the United States a widespread and genuine desire for international peace. There is a deep distrust of political entanglement either with Europe or with Asia. American co-operation will not easily come through entry into leagues or alliances of any sort or kind. It will come rather through the discussion of ways and means for making the rule of law effective in international relations and for making war difficult if not impossible as a method of settling international disputes. One question which must be fearlessly faced is the difficult problem of the freedom of the seas. Another is arbitration. But the most important is the movement for the outlawry of war—which has for its object the ruling out of war altogether as an inhuman, wicked, and preposterously cruel and wasteful method of settling international disputes. This movement has recently received a fresh impetus from the remarkable proposal for making war impossible between the four great democracies of the world made at Harvard by Mr. Houghton—the American Ambassador in London—last June. It is along such lines as these rather than by trying to get her into any league or treaty that the interest and the co-operation of the United States in world affairs will be secured.

If the failure of the Geneva Conference leads not to evil but to good it will be because the energies of the English-speaking peoples have been directed not to comparisons of naval armaments or to the discovery of possible weakness in case of war, but to the question of how the world is to be made safe from war, safe for national liberty, safe for justice and democracy, which they have somewhat forgotten in the distractions and preoccupations of the post-war years.

GREAT AND SMALL STATES AT GENEVA

I. THE POSITION OF THE SMALL STATES

THE Eighth Assembly of the League of Nations may have far-reaching effects on the future of the League, not because of any critical question on the agenda, but because something like a veiled crisis, unrecognised in the main by the public and only imperfectly appreciated by some of the personalities it most concerns, has gradually arisen within the bosom of the League itself. A few weeks ago a well-known delegate to past Assemblies was asked whether he would, as in previous years, be found representing his country at Geneva in September. He replied that he thought not; that it no longer seemed worth while coming; that the smaller States were completely powerless; and that, as representative of one of them, he might as well stay at home. That view of the general situation at Geneva may be justified or not. But that it has for the last three or four years been steadily growing, till it has become a real danger to the League, is undeniable. Unless the tendency of great and small States at Geneva to drift apart can be quickly arrested, and some new demonstration of real solidarity provided, the effect, not only on the League itself, but on the whole evolution of international relations, will be serious.

This, at any rate, is the considered opinion of many of the most sober and experienced observers of the working of the League in the seven and a half years of its existence.

The Position of the Small States

The smaller States came to Geneva in 1920 in a spirit of enthusiasm which some of them perhaps carried to excess. But their attitude was intelligible. President Wilson's speeches, endorsed without reserve by the Prime Minister of Great Britain and other Allied spokesmen, had proclaimed that the day of the small State was at hand. The phrase "rights of small nations" had become a by-word, and it was not surprising that the small nations themselves should have taken it as a charter. At the Peace Conference there had been some disillusionment. The principal Allied and Associated Powers filled the foreground of the picture to a rather disturbing degree. But new small Powers were brought into existence by the Conference, and small Powers existing already had their rights recognised and their territories extended. Above all, the League of Nations was created for their protection. Here at least they were certain of their due. In theory, indeed, they gained almost more than their due, for the principle of "one State one vote" was established in a body in which unanimity was made the condition of action.

Even in the League the small States had originally to fight for their footing. The British plan for a League of Nations made provision for a Council consisting of great States alone, and it was only after an interlude of agitation and tension that the lesser States were conceded four temporary and elective seats on the Council, as against five permanent places (four after the defection of the United States) accorded to the Great Powers. But if a fight for recognition was necessary, at least the battle was won and the principle vindicated. The League of Nations, by contrast with the Holy Alliance or the Concert of Europe, was to be an international instrument, deliberative in the main, but progressively executive, in which great and small States should share on an equal footing in the discussions, and great and small States should co-operate to the extent of their capacity in carrying out decisions.

The reservation "to the extent of their capacity"

Great and Small States at Geneva

goes far. It determines the proper limits of the principle of equality. No one would suggest that the equality between Great Britain and Estonia, for example, means more than that both of them are international "persons," enjoying the full prerogatives of sovereignty, and that both are entitled to such rights of expression and rights of protection as the League of Nations provides. To obliterate, or attempt to obliterate, differences in culture, in political experience, in population, in wealth, in stability, in armaments, would be fantastic, and no tendency to ignore such obvious distinctions has, in fact, ever been observed at Geneva. Heads there are invariably weighed, not merely counted. The danger at the moment is just the opposite. The Great Powers, justly emphasising the fact that on them primarily would fall the responsibility for executing any decisions the League might take, particularly decisions involving restraint of a violator of the peace, tend undisguisedly, and in the opinion of some of the smaller States increasingly, to make a point of concerting their own common policy informally among themselves before the League reaches conclusions on the matter at all. The habit may have grown up when the major Allied Powers, which till a year ago constituted the great States at Geneva, had always to compose their own differences and present a common front before they went into conference with the Germans. The necessity for private discussion is, of course, denied by no one. As a general rule it is all to the good when difficulties can be settled by the parties immediately concerned without the need of recourse to the League. One of the advantages of the periodic gatherings at Geneva is the opportunity they offer for an exchange of views between individual statesmen. But it would be fatal if there should grow up, either side by side with the League or as a kind of inner cabinet, a self-appointed unofficial conclave, whose proceedings would in effect convert the regular meetings of the Council into a meaningless formality.

The Position of the Small States

To strike the right adjustment in the relations of the great and small States is far from easy. To begin with, the distinction between the two classes is by no means clear cut. The whole of last year's controversy over Germany's seat on the Council was provoked by the claim of three States—Spain, Brazil and Poland—to be accorded permanent seats on the Council on the ground (in the case of two of them, for Poland disavowed the pretension) that they were entitled to this recognition as Great Powers. That claim was rightly rejected. It is impossible to lay down precisely what are the attributes of a Great Power, but as Sir John Simon remarked in the House of Commons at the time: "I may not be able to define an elephant, but I know one when I see it." Though Brazil (larger in area than the United States), Spain, Poland, the Argentine are certainly not small States, they are equally certainly not Great Powers as the world counts Great Powers.

But the very existence of this intermediate class only emphasises the importance of so conducting the business of the League as to reduce to a minimum any invidious distinction between different types of States and of carrying to the furthest point practicable that democratic collaboration between States of all types and classes which the framers of the Covenant sought to inaugurate. Such collaboration in no way excludes leadership by the States with the greatest political experience and the heaviest political responsibilities to bear in the world; but it does definitely exclude any claim on the part of such States deliberately to dominate, still more to domineer. And at the present time the small States believe themselves justified in ascribing that attitude to the great States, and their delegates and their Press frequently refer to the fact with some bitterness.

To a small State the League of Nations usually means more than to a great one. The great State relies in the last resort on its own strength. Its right arm must bring it

Great and Small States at Geneva

salvation if a crisis should ever come. Its foreign policy is only slowly adapted to the methods of the League of Nations, and the permanent officials who execute that policy adjust themselves with little elasticity and some reluctance to League machinery. The smaller States, at the beginning at any rate, saw the prospect with other eyes. To them the League was the one defence in a world beset with perils. A discussion which took place in the Assembly in 1923 on Article 10 of the Covenant, with its pledge of protection of "the territorial integrity and existing political independence" of every State member of the League, was an almost startling revelation of the importance attached by the small States to a provision which the greater States (who would have to play the chief part in giving the pledge effect) are inclined to brush aside as an academic concession to the idealistic exigencies of President Wilson.

In the Parliaments and Press of the smaller countries of Europe—and this is in the main a European problem—the League assumes an importance altogether out of proportion to that accorded it in Great Britain or France or Italy or Germany. (Incidentally, the annual League subscription makes a greater proportionate demand on the budget of a small country than of a great.) Several of these States are bound by Minority Treaties which bring them into constant contact with the League. Many, like Poland and Lithuania and Yugoslavia and Rumania, have been more than once before its Council for the settlement of disputes with their neighbours. Others, like Austria and Hungary and Greece and Bulgaria and Estonia, are indebted to the League for invaluable assistance in the restoration of their finances. But much more potent than any of these tangible associations is the consciousness that the League gives the small State a place of its own in an international society based on an international treaty whose provisions make a peculiar appeal to small States, and ends an era in which the small State saw the fate of

The Case against the Great Powers

Europe determined by half a dozen great Powers and found its safety—precarious enough at that—in staking its lot on a perilous and uncertain affiliation with one combination of the great or another. If the League of Nations ceases to mean that to the small States it ceases to mean anything, and there is little enough reason why they should continue to support it. That is why the growing disillusionment of the small States has so serious a bearing on the League's future. Let them once be convinced of the existence of a "trade union of Great Powers" and the League as a political instrument is finished.

II. THE CASE AGAINST THE GREAT POWERS

THE case against the Great Powers at Geneva can easily be exaggerated. Many of the arguments used against them are overstrained or altogether invalid. But if the confidence of the smaller Powers in the League is to be retained or restored, the indictment they can frame against the Great Powers must be frankly examined. The small States started originally from the assumption that the League of Nations was to be the one effective instrument of international action—not merely one of several—opening the door to international co-operation in many spheres, providing a comprehensive mechanism for the settlement of international disputes by arbitration or mediation and thus laying the essential basis for the abolition of war, substituting universality for sectional alliances, emphasising the note of conscience in colonial administration, creating a security, partly through pledges of mutual protection, which would make a lightening of the economically intolerable burden of armaments possible.

That was the belief of the small States which actually took part in the Peace Conference. That was the belief of the small States which, as neutrals, adhered to the still unratified Covenant. No one would deny that their confidence was justified then, and no one would suggest that it

Great and Small States at Geneva

has been wholly betrayed since. The small States themselves have defects in abundance. They are often crude, immature, diffident, unreliable. But they are an indispensable part of the League. Merely as providing a jury, as representing an impartial public opinion, the existence of a body of disinterested States within the League, weighing issues as they arise in the light of League principles, is essential to the proper functioning of the mechanism of Geneva, particularly when disputes between States are being handled. The small States have in fact played an honourable part in building up and operating the League's machinery. Many of the personalities most respected and most effective at Geneva—men like Nansen of Norway (in the humanitarian sphere), Motta of Switzerland, Bénès of Czechoslovakia, Branting of Sweden, Hymans and Vandervelde of Belgium—have come from the smaller countries and have substantially enhanced their own reputation through the opportunity the League has given them of rendering it service in counsel and action.

But for citizens of small States who saw international politics centring for the future in the League of Nations there has been cumulative disillusionment. Through the whole period of the League's existence two other international instruments have successively coexisted with it, if not as rivals to it at least as alternatives. One is the Conference of Ambassadors, the other a much less formal body, the conference or conclave of Locarno Powers. The two appear on occasion to merge into one another, for Sir Austen Chamberlain informed the House of Commons on July 11 that a gathering of the representatives of Great Powers at Geneva in June during the sittings of the League of Nations' Council consisted of the States members of the Conference of Ambassadors, with the addition of Germany. This gathering, though it took place in the sitting-rooms of hotels, was sufficiently systematised to suggest that further meetings of the same kind were contemplated in the future as opportunity might offer.

The Case against the Great Powers

It has to be observed, and the smaller States do not fail to observe it, that during the period of the operation of these bodies no question of the first international importance has been brought before the League, while several questions properly so described have been handled by the Conference of Ambassadors or the Locarno Powers, pre-eminently, of course, the Locarno negotiations themselves. In some cases this was clearly inevitable. Reparations was a question between the Allies (including America) and Germany, and though there were aspects of it which might have been dealt with by the League no one can cavil at the procedure which led ultimately to the formulation and adoption of the Dawes Scheme. But the obdurate determination of the French, with the tacit support of France's colleagues on the Conference of Ambassadors, to prevent any reference to the League or the Permanent Court of the question of the legality of the Ruhr occupation went far to confirm the conviction of the smaller States that the Great Powers at Geneva—at that date all Allied Powers—were resolved that only secondary questions should be treated by the League, the major problems being retained in the hands of the greater Powers unembarrassed by the presence of any disinterested element.

If that were true as a general judgment it would be the end of the idea of the League as an impartial arbiter in world affairs, pronouncing—in matters of equity through its Council, in more strictly juridical questions through the Permanent Court—unbiassed rulings regardless of whether the parties to the issue were small States or great. That idea is in fact quite indisputably in peril to-day. The small States do not believe that there is equal justice at Geneva as between small and great. They compare the case of Italy's armed action against Greece in 1923, followed by the verdict that Greece should pay a heavy indemnity, with the treatment of Greece's armed action against Bulgaria in 1925, followed again by the payment of an indemnity by Greece. The two cases are not, of course,

Great and Small States at Geneva

on all fours, for the danger to the general peace was greater in one than in the other, but in the view of the small States, and, indeed, of many other people as well, the Corfu verdict was bad (for the concession of Italy's full demand, without reference to the Court for assessment, was avowedly based not on justice but on reluctance to risk trouble with Italy), and was given by the Conference of Ambassadors. The Greco-Bulgarian verdict was good, and was given by the Council of the League. But the parties concerned in both instances were League members, and the fact that the Corfu case was, in effect, kept out of the jurisdiction of the League, coupled with the nature of the verdict given by the body that did assume jurisdiction, planted deep in the mind of the average small State the conviction that, whether at Geneva or elsewhere, a great State can do with impunity what a small State is called to sharp account for doing, and that great States prefer a packed tribunal of their peers to the more objective methods of the League. If that, once more, were true it would be death to the principles on which the League rests.

Whether it is true or not the smaller States to a large extent believe that it is. Their suspicions are naturally fostered whenever they find themselves excluded from the conclaves of the greater Powers. Geneva, of course, is not the only place where that happens, though it is the one place where it ought never to happen. Perhaps the most conspicuous example was the Genoa Conference, when the Foreign Ministers of the smaller States complained that they never knew what the conference was doing till the Paris papers arrived. But such experiences as those of Genoa only throw the smaller States all the more on the defensive at Geneva. And it cannot be denied that they have reason for complaint. Take as the most recent example the so-called "hotel-talks" at Geneva in June. The participants were the Conference of Ambassadors States, with the addition of Germany, or, to put it another way, the principal Locarno States with the addition of

The Case against the Great Powers

Japan, usually, it is said, a silent member. There were, no doubt, questions arising out of the Treaty of Versailles which particularly concerned the States composing this body, but Russia was certainly a different matter. If there are three States of Europe to which the Russian question is of vital concern they are Poland, Czechoslovakia and Rumania. All of them are smaller States. All of them were members of the League Council, which was sitting at the time and was indeed the reason for the presence of the Allied Ministers in Geneva. None of the three was present at the hotel-talks. Yet it was in the hotels, not at the League Council, that the Russian question was discussed.

In this case it does not seem even to be claimed that the subject was too delicate for the semi-publicity of a private sitting of the Council. The British Foreign Minister has since told the House of Commons what was said about Russia in the secret conversation. The outstanding feature was the unequivocal assurance given by him that Great Britain neither contemplated nor desired further action of any kind antagonistic to Russia. It is hard to imagine any declaration that could with greater advantage have been made before the League Council than that, and the bewilderment as well as the irritation of the smaller States on discovering that a question of this kind is reserved for a private meeting of Great Powers (for the presence of Belgium does not alter the essential character of the gathering) is intelligible. It may be said that the Russian question did not concern the League of Nations as such. But there is an article in the Covenant which lays it down that "the Council may deal at its meetings with any matter within the sphere of action of the League or affecting the peace of the world." Wisely used, that provision may be of the highest value. To ignore it consistently and substitute private discussions on such matters between the representatives of Great Powers alone is to dethrone the League effectively from its place at the centre of world affairs.

Great and Small States at Geneva

Objection may be taken to this picture. An apologist for the Great Powers could no doubt adduce rebutting arguments. But that it is a broadly accurate picture of contemporary Geneva as the smaller States see it may be contended without fear of contradiction. And the effects on the small States of the picture as they see it are, it must be repeated, serious. For the League cannot do without the small States. It cannot even subordinate them. They have their rights at Geneva, and the exercise of those rights is often more important to the League than it is to themselves. The small State has not often an axe to grind, or, if it has, it knows it is little use trying to grind it at Geneva. It is therefore disposed always to stand by the provisions of the Covenant both for itself and for others. Its attitude, indeed, contributes much of what is best and most practical in the "Geneva atmosphere." There must always, by the nature of things, be some distinction, some contrast indeed, between the Council, where the Great Powers are strongly entrenched by virtue of their permanent seats, and the Assembly, where the smaller States have an overwhelming predominance numerically. A distinction and a contrast is one thing. A rivalry and an antagonism is another. In the crisis in March 1926 over the entry of Germany the Assembly was deliberately kept out of action through the influence of the Great Powers, a procedure which produced among the smaller States a discontent and indignation gravely demoralising to the League itself.

The situation, of course, is not simple. Great Powers are Great Powers. They have characteristics which differentiate them from small Powers, as well as others which both classes share in common. In virtue of those characteristics they will in any case predominate at Geneva without any conscious effort of their own. Even that legitimate predominance may sometimes, quite unjustly, leave smaller States restive. But that in itself is good ground for the exercise by the representatives of the Great Powers of a wholesome self-discipline in concealing the

The Case against the Great Powers

impatience they often feel (with some reason) at the crudities of less experienced politicians from smaller countries, and the conviction they cherish that the League and the world would run far better if left in their own competent hands.

To sift the unreasonable from the reasonable in the complaints of the small States is unnecessary, for if the reasonable claims are disposed of by a change in method and attitude at Geneva, the others can be ignored. And in that respect the coming Assembly may be largely decisive. A distinguished member of the Council once spoke of the Assembly privately as "an ill-regulated public meeting." It may be intelligible enough that the representative of a Great Power should hold such a view, but it can only be disastrous to let the Assembly realise that he, or any other delegate from a Great Power, holds it. It is no doubt easier to work through a small body like the Council than through a large body like the Assembly, and easiest of all to work through a self-chosen committee of a handful of Foreign Ministers, between whom, three or four years of successful co-operation have established happy personal relations. But the constitution of the League has, on the whole, been wisely framed, and the just balance between Council and Assembly cannot be disturbed without loss to the whole institution. Still less can the discussion of the most important issues be monopolised by a minority of Great Powers, without the influence and prestige of the League—which means ultimately its power to exercise effective restraint on a recalcitrant State in a moment of crisis—suffering grave detriment.

While there are still many League States which do not pay more than lip-service to League methods, the smaller States are not often open to that charge. Publicity, for example, is usually in their interest, and some of them, notably the Scandinavian countries and Switzerland, stand for it out of a disinterested belief in its merits. It can hardly have escaped their notice that when the Great

Great and Small States at Geneva

Powers are left to themselves, or betake themselves deliberately to segregation, as in the hotel-talks, they shun publicity instinctively. The contrast between the public meetings of the League's Preparatory Commission on Disarmament and the secrecy of the Coolidge Conference on the Limitation of Naval Armaments is conspicuous, and, modest though the progress achieved by the Preparatory Commission may be, it will hardly be claimed that the methods preferred by the three Great Powers concerned in the later conference yielded happier results. .

III. THE REAL ISSUE

THE real issue that presents itself is between belief in the League as the central and dominant, and belief in the League as a valuable but subsidiary, instrument in international affairs. For the smaller States, it is essentially the former, but they are far from convinced that the Great Powers take the same view. It is hardly credible that Italy does. Italy's attitude towards the League under her present régime is, indeed, a problem in itself. Japan is largely inscrutable, though her demeanour as League member has always been scrupulously correct. France is preoccupied with one dominating question, her relations with Germany, and in that she has no intention of allowing the League to intervene except if and when it may serve her purpose. Apart from that, whether from interest or conviction, probably from both, she is disposed to work increasingly through the League. Great Britain's attitude causes some perplexity to League observers in other lands. The present Foreign Secretary is more a Council man than an Assembly man, and sometimes lets himself be thought more a *coterie* man than a Council man. He has, in two recent speeches, paid a warm tribute to the League, but a phrase in one of them illustrates rather typically its author's propensity for seem-

The Real Issue

ing to draw back in the act of going forward. "We base our whole foreign policy," he said in the House of Commons on July 11, "on support of the League and on appeal to the League in the last resort." It matters a good deal whether much or little is implied by the last four words.

Germany stands in a different category. Dr. Stresemann came new twelve months ago to a League with which Sir Austen Chamberlain and M. Briand had been familiar for years. He had leisure to examine its theory before he found himself an agent of its practice. He was shrewd enough to realise, what indeed is too obvious for anyone to miss, that Germany could gain prestige and authority at Geneva, as she could regain it nowhere else, and respect for League methods and for the League as an institution has so far been more actively and positively manifested by the German Foreign Minister than by the French or British. It would not be surprising to find Dr. Stresemann, handicapped though he is by his diffidence about making a public speech in French or English, alive to the position he could make at Geneva through a quiet but vigilant vindication of the authority of the Assembly.

It is natural enough that men of the standing of Sir Austen Chamberlain and M. Briand should feel some impatience with the Assembly. It takes Lord Balfour's philosophic temperament to suffer fools as gladly as some fools at Geneva must be suffered. And the effervescence of Latin rhetoric can be no less a trial. But, above and beyond all that, the question presents itself to-day with a note of challenge, and almost of menace, whether the League as an institution—and not merely the League of 1927, but the League of the potentialities of the future—has sufficient value to the world to condone the minor defects and irritations incidental to its early years. If it has, if the Governments that signed the Covenant still believe in the Covenant, then it is imperative that in this first and critical phase all semblance of a rift between great and small States within the League should be avoided.

Great and Small States at Geneva

At present it is frankly not being avoided. The rift is there, and the eighth Assembly opens in consequence in an atmosphere of misgiving. The small States have only themselves to thank for a good deal of the real or imagined neglect of which they are sensitively conscious. They stand in unnecessary awe of the Great Powers, and they concern themselves too little at the Assembly to present a common policy, even when they notoriously share common views. But it is the small States that make the League possible, just as in a sense it is the League that makes the small States possible. The Assembly, which is the only League organ in which three-quarters of the League members have a place, could be an unrivalled school of statesmanship, and the more reality is given to its discussions, the more valuable the education inexperienced politicians from small States will unconsciously receive. On that ground alone the prestige of the Assembly should be deliberately fortified by every means possible.

With a Council of fourteen, the Assembly, as distinct from the Council, tends to be stripped of many of its outstanding figures. On the other hand, the new system of rotation among the temporary members of the Council means the constant return of men of experience to the larger body. The fact that Belgium and Czechoslovakia now become ineligible to Council seats for three years, condemns M. Vandervelde and Dr. Bénès to find their main field of activity in the Assembly, much to the advantage of that Chamber. The distinction between Assembly and Council must not be laboured. States which are members of the Council are, of course, members of the Assembly too. But to a Council member, the Council is naturally the chief preoccupation, and it has been shown again and again that what the Assembly most needs is half a dozen delegates of ability and courage who are primarily Assembly men.

As a permanent member of the Council, Great Britain is so inevitably identified with that body in particular,

Postscript

that it requires something of an effort on the part of her delegates to show themselves equally concerned for the welfare of the Assembly. But the effort is on every ground worth making, for it is only in the Assembly that League States can be reached as a whole, and only there, or there pre-eminently, that loyalty to the League and respect for the Covenant can be induced in States not members of the Council. The British Dominions, with their separate representation in the Assembly, can undoubtedly play a part of considerable value there.

To liken the Assembly and the Council to a Parliament and a Cabinet is, in many respects, misleading, but there is enough in the comparison to make it reasonable to draw a lesson from the analogy. The supremacy of Parliament has served this country well. In the attempt to establish the rudiments of a Parliamentary system for the world, Great Britain has filled a foremost rôle. But making a constitution is far less important than working a constitution, and for the effective working of the constitution devised for the League of Nations the first essential and the last is the avoidance of all suspicion of oligarchic domination and the practice of a frank and statesmanlike co-operation between great States and small.

POSTSCRIPT

As we go to press an interesting confirmation of the view expressed in this article is announced. M. Henry de Jouvenel, formerly High Commissioner of Syria and for some time a delegate to the League Assembly, will not form part of the French delegation in September. In a letter conveying his decision to M. Briand, he says :

I have expressed this year in a number of dispatches my regret at seeing France refrain from submitting to the League of Nations

Great and Small States at Geneva

problems which, in my judgment, can only be solved by that body, while at the same time persisting in a policy of adjournment which can only accumulate difficulties in the future. If at any time the delegates of other countries should express in the Assembly views similar to my own upon this matter, I should find myself in the position of having to run counter either to the wishes of my Government or to my own convictions. This is a situation from which it is one's duty to escape as soon as one sees it take shape.

Writing at greater length in the *Matin*, he explains that he is afraid of the substitution of a new Concert of Europe for the League, and asks why the great nations should since Locarno have seemed to abandon the League method and return to the policy of the "Big Four" practised during the Peace Conference. (See *The Times*, August 10.)

INDIAN REFORMS : THE PRINCES' STANDPOINT

IN speculation concerning the future of India, it is common to make insufficient allowance for one very important factor—the Indian States. The authors of the Montagu-Chelmsford Report appear to have discovered the existence of this factor at a somewhat advanced stage of their deliberations, with the result that what they have to say on the subject is perfunctory, if unexceptionable. Yet it is becoming increasingly apparent that no solution of the problem of British India is likely to be satisfactory which does not take into account the allied problem of the Indian States.

One initial difficulty encountered by the observer who desires to examine the present condition and future potentialities of the Indian States arises from the paucity of the material available. Concerning the past history of individual States, there is a good deal to be learnt from books ; but, concerning the present political position of the States as a whole, little or nothing has been written which is helpful. The most useful knowledge is of the kind which must be gathered from the mouths of those who possess it. Unfortunately few of those whose acquaintance with the Princes is most intimate, and whose authority to speak is unquestioned, are in a position to make their opinion readily available to the student.

Indian Reforms : The Princes' Standpoint

I. THE PRINCES AND THEIR STATES

PERHAPS the first thing to realise in considering the present position of the Indian States is the scale upon which the problem is propounded. Throughout the Commonwealth there is a general assumption that Britain administers India. It is scarcely realised that more than one-third of the total area of India is not under British rule at all. In the 700,000 square miles which make up the territory of the Indian States are to be found some 72,000,000 people, including some of the finest fighting races of the Indian Empire, who are not subjects of His Majesty the King. These people owe allegiance to their own rulers, who are themselves bound by ties of obligation to His Majesty's Government, but who retain in varying degree internal autonomy, and enjoy in different measure the ordinary text-book attributes of legal sovereignty. In all, there are more than seven hundred States, great and small. Each is of some importance, for while the largest is as extensive as France, the smallest is a little smaller than Monaco. For practical purposes, however, the student would do well to confine his attention to the greater States, roughly one hundred in number, whose rulers enjoy the title of "His Highness" and the privilege of a salute of guns. Each one of these greater units enjoys complete internal autonomy. Each is bound to His Majesty's Government by a treaty or obligation which imposes rights and duties upon both the parties concerned. Each possesses a separate administrative system, with its own officials and its own institutions. The more important States maintain their own small armies, often commanded by British officers seconded for this duty from the active list. The flower of these State armies are the Imperial service troops, who fought with such distinction in many theatres of the great war. In addition, the larger States

The Princes and their States

maintain a more numerous body of local-service troops, which can be made available for the preservation of order and for local defence. A scrutiny of the States' expenditure will show that most of the larger States support a heavy financial burden as their share in the defence of the Empire; while even those States which do not maintain well-equipped forces are often found, on enquiry, to have ceded large and valuable territories to the Indian Administration as a perpetual contribution to the cost of common defence. As a result, the subjects of the Indian States make a far higher *per capita* contribution to Imperial defence than the King's subjects in British India.

The Princes and their People

At first glance, the position occupied by a ruling Prince within his own State seems indeed remarkable. He appears the unquestioned master of all around him; the embodiment of proud tradition; the living personification of sovereignty. He has freely lavished upon him a popular devotion and reverence which is almost without parallel in the modern world. Even where he rules badly, his people seem to ascribe their complaints to the defects of his advisers. Everything good is attributed to the Prince: anything that is unpopular must, in the view of his people, be the fault of his Ministers. The Prince is the pivot upon which the whole State turns. Every office in his administration is held only by his favour. His word is law, and his slightest wish a command. Yet there is another side to the picture. Unfettered as the Prince may be by constitutional limitations as understood in the West, his rights and his duties are in reality clearly defined. As a ruler, he has certain obligations towards his subjects; just as they have certain rights as against himself. If he observes the customary limitations, his power is for the rest unbounded. Let him seriously and persistently transgress them, and not all the might of the British Government will secure him firmly in his position. Accordingly, in

Indian Reforms : The Princes' Standpoint

the better administered States, there is little oppression. At the same time it should be remembered that the traditional relations between ruler and ruled have been modified to some extent by the knowledge that the Prince has the power of the Indian Government behind him. The last ultimate sanction of successful revolt, therefore, no longer remains for the enforcement of the ancient rights of the people against their Prince. It is thus conceivable that a really bad ruler might "last longer" and inflict greater harm upon his subjects to-day than at the time before the British power had established itself in India. It should, however, be noticed that, under the system which prevails in the majority of Indian States, absenteeism and indolence may entail consequences almost as serious as positive oppression. Unless the Prince interests himself in the well-being of his people, the mainspring of the administration is gone, and the whole machinery tends to function torpidly.

This system of personal rule, restrained only by ethical obligations and customary limit, seems, for all its strangeness in Western eyes, to possess one conspicuous merit. Not only has it worked for a long time ; it continues to work to-day. Further, those who live under it seem generally contented. There is very little unrest of any kind. Nor does there seem to be any marked desire on the part of State subjects, in the majority of States, to participate actively in the work of government. Where this desire exists, it has as a rule been recognised by a Prince in the shape of a Council or Assembly of the Morley-Minto type. Such an institution, as was recently pointed out, by Professor Rushbrook Williams, in the new year number of the *Sanj Vartaman* (Bombay), harmonises well with the State polity : for by ancient tradition a ruler is bound to seek the advice of his people before he takes any action intimately affecting them : just as he is obliged to afford them the fullest opportunity of representing any grievance from which they may be suffering. But, for the

The Princes and their States

most part, the subjects of a State seem content to leave the task of government to their Prince and his advisers. In the selection of the latter, the subjects have no positive voice; but they exercise, none the less, a considerable influence of a negative kind. They can make the position of an unpopular Minister quite impossible, and no Prince can continue long to entrust such a man with active responsibilities. This circumstance of the general understanding and accord between the Prince and his people probably explains why there is so little real demand for constitutional reforms in an Indian State: for when, through some accident, this accord breaks down, the situation almost at once assumes a shape which compels the Indian Government to interfere with "advice" of a kind that brooks no denial. And, as recent events have sensationally demonstrated, even the greatest Prince must then submit to the wishes of his people.

One would hesitate to say that the inhabitants of an Indian State are happier than the inhabitants of British India; but for some reason or another, they generally seem to the writer to present a more cheerful appearance. If the Government of an Indian Prince does less for its subjects than the Government of British India—which is by no means always the case—at least it interferes with them in lesser degree, and leaves them freer to lead their own lives. Moreover, minor officialdom—that scourge of British India—is to some extent fettered in its operation by the knowledge that a good Prince is easy of access, even to the humblest of his subjects. He is a man, not an elaborate machine. When he strikes in support of innocence against petty tyranny, he strikes promptly and he strikes hard. The ancient Indian custom of holding public durbars, in which any person is free to approach the Prince for the redress of grievances, still obtains in many States; and, indeed, the majority of conscientious Princes devote a fixed period of their time to receiving petitions which enable the poorest of their subjects to call the conduct of the

Indian Reforms : The Princes' Standpoint

highest official into question. A good Prince is the real father of his people, independent of the considerations of race, caste or creed. In the best States, there is complete toleration, combined with a healthy absence of communal strife. Riot and disturbance are almost unknown : while there is a general security of life and limb that is at least equal to that which prevails in British India.

To sum up, the best proof of the present vitality of the Indian States is their continued existence. There is nothing to prevent the population of an Indian State migrating to British India. Yet census figures show that, if anything, rather more people come from British India to live in Indian States than go from State territory to British India.

Lines of Progress

It seems quite possible, on an impartial survey, that the administration of British India may have something to learn from the methods pursued in the Indian States. Where a ruler possesses administrative ability, industry, and statesmanship, he seems to be able to do more to make his subjects happy than the Indian Government can do for its own people. It may be that India likes and understands personal rule ; and finds a highly organised and complicated bureaucratic machine rather unsatisfactorily inhuman. It may be that small compact units, bound into homogeneity by centuries of obedience to a long-established dynasty, are in a position of advantage as compared with the unwieldy heterogeneous units of British India. However this may be, the fact remains that the State Governments really govern ; that no one questions their authority ; and that there is a negligible amount of unrest among their subjects.

Whether it be true or not to hold that British India has something to learn from the Indian States, it is certainly true that the Princes feel they have much to learn from British India. Throughout the Indian States, administrative standards are steadily rising ; and the benevolent

The Princes and their States

activities of government are on the increase. Many States have a free educational system which will carry a boy from the village school to a first grade college. All the larger States have elaborate medical and sanitary services. In the best States, the judiciary, so far as impartiality between subject and subject is concerned, is not inferior to the standards of British India ; while it enjoys the advantage of administering, through a simplified and less expensive procedure, the same codes of law as those which obtain in British India. For the ordinary litigant, it is probably true to say that justice in an Indian State is cheaper, speedier, and not less impartial, than is the case elsewhere. On the other hand, where the personality or desires of a Prince are in question, there is, in many States, risk of the judiciary failing to maintain entire independence. Even in this respect, however, it is maintained, by those whose observations have stretched over a period of years, that improvement is taking place. The standards of administrative efficiency are, with few exceptions, below those of British India ; but since the whole machine of government is less elaborate, the consequences are not as a rule serious. Perhaps the direction in which improvement seems still most to seek in many States is the absence of a fixed civil list which brings the personal expenses of a ruler into definite relationship with the resources of his territory. But here also, the tendency to improvement is marked, and the majority of States are now arriving at a settlement, formal or informal, which will enable the ruler to "live of his own." It should also in fairness be remembered that the comparative simplicity of many State governments entails a corresponding reduction in the cost of administration, so that in many cases the margin of revenue at the disposal of a Prince may represent an income of well-nigh incredible magnitude, even after every legitimate branch of State expenditure has been amply provided for. The Princes, for the most part, fully realise that the strength of their position depends upon the efficiency and virtue of

Indian Reforms : The Princes' Standpoint

their administration. As has been already noticed, there is a marked tendency towards improvement in the directions where shortcomings are at present apparent, and, in the best governed and wealthiest States, progress has been achieved in the pursuit of benevolent activities, which is frequently quoted by Indian nationalists as a challenge to the vaunted efficiency of the Indian Government. Several of the southern Indian States possess a standard of education and of literacy, male and female, to which British India can afford no parallel. Many States, with their comparatively small territories and ample resources, are quick to seize upon any promising experiment for social amelioration which has been found successful in British India. Indeed, the States sometimes lead the way.

It is interesting to notice, in this connection, the steady growth of public opinion among the Princes themselves. Individual extravagance and vagaries tend to be deprecated as a source of weakness to other members of the princely order. The opinion of the more enlightened Princes is carrying ever increasing weight with the more conservative. For this, the influence of the Chamber of Princes is largely responsible. This body, while it has not entirely fulfilled the hopes of its designers, has enabled the Princes to meet for common deliberation, and to evolve some kind of joint policy to form the basis of discussion with the Government of India. The proceedings are confidential ; and it is not easy for the general public to discover the precise nature and extent of the business transacted. But it is at least plain that the existence of the Chamber has brought home to the Princes the extent of their common interests, and has enabled the more prominent States to secure support from their fellows in urging certain measures upon the Government of India.

The Princes and the Government of India

II. THE PRINCES AND THE GOVERNMENT OF INDIA

WE may, for the moment, pass lightly over the stages which historians distinguish as characterising the relations between the Indian States and the Government of India at various epochs. In the early days of British rule, the Company's officials were justly apprehensive of any alliance against themselves on the part of those States with which they had concluded treaties. Accordingly, the policy most favoured in East India House was to isolate each individual State ; to keep it apart from its fellows ; and, at the same time, to strengthen in every possible manner the ties which bound it to the Company. As British supremacy became more and more unquestioned, the early feeling of suspicion gave place to that good-natured form of contempt which is often engendered by long familiarity. In face of the rapid advance of British India, which marked the second quarter of the last century, the conservatism of the States and their old-world ways seemed inevitably to doom them to impotence, if not to extinction. This phase came to an end once and for all with the Sepoy Mutiny in 1857. The great majority of the Indian States successfully vindicated their right to exist, not only by their whole-hearted and invaluable loyalty, but also by their inherent stability at a time when the foundations of British administration seemed crumbling into dust. From that time onwards, the general policy pursued towards the Indian States has been one of trust and confidence. Attempts have been made to strengthen them ; to enlist their co-operation ; and to confirm their loyalty. The general success of this policy has been triumphantly vindicated on many occasions, but notably in 1914. Indeed, it is scarcely too much to say that it was the influence of the Indian States which did more than anything else, during the last war, to frustrate Germany's hopes of an insurgent India.

Indian Reforms : The Princes' Standpoint

As to their services, unostentatious but none the less effective, in the recent troubles through which India has passed, it is unnecessary to enlarge at any length. Once more they stood like rocks when the foundations of other régimes appeared in danger.

How Intercourse is Conducted

In order to understand the present relationship between the Government of India and the Indian States, it is necessary to know how daily intercourse is conducted. The diplomatic work of the Indian Government is carried on by the Political Department, a *cadre* to which entry is possible through the avenues only of the Indian Civil Service and of the Indian Army. States of the first rank have a resident Political Officer accredited to them by the Government of India. States of lesser importance are grouped into units under the diplomatic care of an Agent to the Governor-General. Still smaller States share a Political Agent, who is himself a deputy of the Agent to the Governor-General with whom the larger units of the group have direct relationship. Generally speaking, the tendency of recent years has been to simplify the channels of communication between the States and the Government of India, in order to reduce the number of intermediary Political Officers.

At headquarters, the supreme charge of the relations between the Indian Government and the Indian States is held by the Viceroy in person. The system has many conveniences, and some disadvantages. Since, in theory, the relations of the Indian States are with His Majesty's Government—as the heir of the East India Company—and not with the Government of India, it is obviously convenient that the portfolio of the Indian States should be held by an official who is not merely the Governor-General of India, but the personal representative of the King. Further, since the smooth conduct of relations between the Government of India and the powerful

The Princes and the Government of India

autonomous States depends very largely upon the success with which individual ruling Princes can be persuaded to co-operate in pursuit of a common policy, it is a great advantage that the spokesman of the Government of India should be the highest official in the land. On the other hand, a Viceroy has necessarily very little time at his disposal, and unless he should happen—as in the majority of instances is fortunately the case—to take a keen interest in the welfare of the Indian Princes and their people, the conduct of relations tends to fall more and more into the hands of the Political Secretary to the Government of India. For the occupant of this delicate office many qualities are required, and it is scarcely to be expected that an official whose career, however distinguished, has been confined to India will possess quite that breadth of vision and knowledge of the world which has, as a rule, characterised those distinguished men, drawn from the front rank of British public life, who have been called to the Viceroyalty. Indeed, it has become a truism that a Political Secretary who is not *persona grata* with the Princes can inflict serious, if transient, damage to the cordiality of their relations and the heartiness of their co-operation with the Government of India. For the most part, however, the system works very well, and it is only when a Viceroy who is not really interested in the Indian States happens to coincide with a Political Secretary who is not entirely successful in his handling of the susceptibilities of the Indian Princes, that there is any serious ground for complaint. The Princes themselves, so far as the knowledge of the present writer extends, would be very unwilling to see any change in the system by which their relations are, at least in theory, conducted direct with the Viceroy himself.

Present Relations of Government with the Indian States

We may now proceed to note certain characteristic features of the existing relations between the Government of India and the Indian States.

Indian Reforms : The Princes' Standpoint

In the first place, it is becoming abundantly clear that the Government of India and the Indian States are not only more closely connected with each other at present than has been the case at any time in the past, but also that this connection is destined to become even more intimate in the future. The requirements of modern administrative efficiency commonly transcend political frontiers. Accordingly, every year brings to light new points of contact—and sometimes of conflict—between the interests of the Government of India and those of the Indian States.* The States themselves have long realised that they are intimately affected by government policy in such matters as currency and the tariff; railways and excise; social and political legislation. Their perception has been quickened by the consequences of India's admission to the League of Nations; for the Government of India tends more and more to accept international obligations which it subsequently calls upon the States to honour.

In regard to many of these points of contact, the States are now displaying an increasing uneasiness. They do not understand why they should be expected to acquiesce in a tariff system which, according to the view of many of them, penalises their subjects for the benefit of British India. More particularly do they experience a sense of grievance when tariff changes are dictated by the political pressure of the British Indian educated classes. In fact, they feel in an increasing degree that their interests tend, in the dust and heat of the British Indian political arena, to be obscured or ignored. Recently, for example, British India has been convulsed by the struggle over the sterling value of the rupee. The Indian States find themselves as much concerned as British India, yet they do not notice that any steps have been taken to elicit their considered opinion. Further, they are now realising for the first time that they are paying indirect taxation to the British Indian

* See, for instance, the account of the difficulty with the Kathiawar States on page 766.

The Princes and the Government of India

Exchequer of a kind which is none the less irksome to them—as being contrary to their treaty rights—for its indirect character. They fully understand that the world is changing, and that they cannot live in isolation. Nor, indeed, do they desire to do so ; but they feel that they are being dragged at the chariot wheels of British India without being given an opportunity of representing their special interests.

The Princes and the Reforms

The realisation of the intimacy of their contact with British Indian affairs, and of the difficulty of disentangling their special interests from the general interests of British India, lies at the root of the uneasiness with which many Indian Princes now regard the political situation in British India. They see that the Government of India has changed almost beyond recognition. They anticipate that it will change even more in the future. It is no longer the same kind of government as that with which their treaties were originally signed. Plainly, it is not the unquestioned arbiter of the destinies of India, but has become increasingly responsive to the opinion of a certain class of the ruled. Here many Indian Princes frankly confess themselves puzzled. In their view, the British Government in India is abdicating its power progressively in favour of the educated middle class. Now, from the standpoint of an Indian aristocrat, this particular class has no place in the scheme of government. Its members do not possess the tradition of rule. How can they, ask the Princes, be expected to rule successfully ? Have they any real stake in the country ? Can they command the unquestioning allegiance of fighting men, prepared to die in their service ? Have they the traditions of knightly honour and the pride of breeding which can alone enable power to be exercised wisely and firmly ? Many Princes consider that the Indian Government is being alternately bullied and cajoled by a class of men who have no right to speak for India,

Indian Reforms : The Princes' Standpoint

and whose authority, if unsupported by British arms, could not endure for the shadow of a second. They see these men using as their instrument an elaborate administrative system which they could not have created and will probably find difficulty in maintaining ; and using it, moreover, to embarrass not merely its creators, but also those persons who have hitherto afforded the creators unstinted respect and support. Yet they see that the process is apparently to continue ; that a larger and larger measure of " popular " control is likely to be introduced into the government of India ; that more and more functions are on the point of being delegated to provincial administrations which can scarcely be expected to pay much regard to the susceptibilities of the Princes. Behind the whole process, so unnatural, as they think, are the prestige and authority of the very Government whose prestige and authority stand most to suffer from it.

The Princes are in no sense hostile to political advance in British India ; that, they feel, is a question for the Indian Government and for the people of British India to settle amongst themselves. The Princes may, from time to time, out of their experience of centuries, mildly question among themselves the wisdom of the counsels which now seem to guide the British Government. But they realise that this is none of their business, and their anxiety is confined to one principal point, and to that alone. Are their relations with the Government of India to be subject, equally with other branches of that Government's activity, to the influence, and ultimately to the control, of a class of person whom they cannot regard as possessing any inherent claim to position or to authority ? In other words, while the Princes feel that they can scarcely object to our own abdication in favour of the educated British Indian, they have the very liveliest objection to being placed under the control of that class whom we appear to have designated as our successors. They see that the personnel of the Government of India is being increasingly Indianised. They

The Princes and the Government of India

apprehend that a day may come when a Prince may perhaps find himself under the political control of one of his own native-born subjects.

The Uneasiness of the Princes

While the Princes have, for the most part, a considerable appreciation of, and sympathy with, the difficulties now encountered by the Indian administration, they feel that their interests have been, to some extent at least, unwittingly betrayed. They fear lest they may be handed over, bound as it were, to unfriendly hands. And they are the more alarmed in that they believe that the process is already proceeding by insidious stages. In order to understand this point of view, it is necessary to recall what has been said on a previous page regarding the new intimacy of contact between the Government of India and the Indian States. Half a century ago the Indian Princes would have been little concerned at such developments as they now see taking place. They could have maintained their isolation. But such a policy is now quite impossible. They feel themselves exposed at every point to external influence, and, accordingly, the precise nature and character of that influence has become a matter of vital concern to them. They see, for example, that Government now claims a certain power in the direction of implementing international obligations, which threatens to affect in some degree their internal autonomy. They realise that Government policy in such matters as excise, currency, the tariff, and railway development, is influencing their domestic economy more directly every day. They also see that Government policy in these matters is increasingly controlled by the new legislatures. In view of this situation, the fact that Indian State affairs are technically excluded from the competence of the reformed constitution, affords the Princes little comfort. Their uneasiness is increased by certain considerations, of a kind which commonly escape notice. The position of the Viceroy, the King's

Indian Reforms : The Princes' Standpoint

representative, who is their main bulwark, is still towering ; but the influence over the Governor-General of his Executive Council, now semi-Indianised, is on the increase. How long will it be, they speculate, before matters concerning the Indian States are settled by a vote in Council ? There is further to be noticed the manner in which the increasing departmentalisation of the Government of India is affecting the interests of the Princes. The policy now laid down by the Government of India in such matters as railway development, currency, and the like, is more and more becoming the formulation of expert departments. Those who frame policy are actuated primarily by considerations of administrative efficiency, and secondarily by the forces of educated Indian opinion. It rarely occurs to them to consider either the rights or the susceptibilities of the Indian States. At the same time, these technical departments now command such a wealth of specialised talent, that no other department of the Government of India can successfully fight them. Whence arise two consequences, so far as the States are concerned : In the first place, the policy shaped by the expert department tends more and more to become the accepted policy of Government, without modification ; and in the second place, the Political Department, the official custodian of the interests of the States, is hopelessly overmatched by the weight of expert opinion when it endeavours to introduce such safeguards and modifications as its knowledge of the rights and susceptibilities of the Indian States seems to indicate as necessary.

The Legal Position of the Princes

But why, it may still be asked, are the Indian Princes thus concerned with the changing scene in British India ? Are not their relations with His Majesty's Government, with the King in Parliament, as the heir of the East India Company ? Why then should they be so sensitive to what happens in the rest of India ? To some extent these queries

The Princes and the Government of India

are already answered by the fact which has previously been emphasised, namely, that the relations between the Indian States and the Government of India are now so intimate, that in practice, if not in law, isolation is no longer practicable. But there are certain other considerations which enter in at this point. In the first place, it is by no means clear that the legal position of the Indian States has not been considerably affected by the last Government of India Act, the framers of which do not seem to have had sufficiently clearly before their eyes the peculiar position which the Indian States occupy in the Commonwealth. The matter is one which calls for authoritative legal investigation, if only because certain clauses in the Act seem to imply that His Majesty's Government have divested themselves of their responsibility towards the Indian States in favour of the Government of India. If this suspicion should prove to be well-founded, matters can doubtless be rectified ; but it is important to notice that the element of uncertainty is, at the moment, rendering the more thoughtful Princes uneasy. Again, even if it be true that the treaties of the Indian States are with His Majesty's Government, and not with the Government of India, it has also to be remembered that the treaties possess various imperfections from the standpoint of the Princes. They were concluded in a simpler age ; much has been left to goodwill and to mutual understanding. As definitions of the relations between the Government of India and the Indian States, even the most categorical species of these treaties have always needed much supplementing. Hence it is that round the majority of treaties and engagements there has crystallized a mass of political practice. Some of this practice is still fluid ; some of it has hardened into a condition of fixity almost on a par with that of the original treaties. In any case, this practice, where it is susceptible of modification, tends to be shaped by the stronger of the two parties—which is unlikely to be the State directly concerned. Moreover, where either a treaty or its accom-

Indian Reforms : The Princes' Standpoint

panying mass of political practice is susceptible of a disputed interpretation, the Princes occasionally consider that the Government of India, even at present, is both party and judge in the same matter. When the Government of India becomes more "popular," the Princes feel that the chances that their interests will suffer are likely to be much increased. For all these reasons, the Princes, despite the difference in their personalities and in their importance, are at one in asking that their position in the future polity of India should be clearly defined and adequately safeguarded, without further delay, by His Majesty's Government itself.

III. CONCLUSION

FROM this survey it will be gathered that the Princes are concerning themselves deeply with the present trend of affairs in British India—and not without reason. They are beginning to examine their own position ; to take stock of their strength and weakness. But they look to the British Government to establish and conserve their legitimate rights, guaranteed by the plighted faith of many kings, in any future change in the administrative system of British India. For their own part, they are endeavouring to remove, more or less rapidly, the defects which their Governments still exhibit. It seems plain to the student of Indian affairs, that an authoritative inquiry into the present position and future place of the States in the Indian polity is urgently required. The Princes themselves seem to desire an opportunity of presenting their views to His Majesty's Government ; and of receiving satisfactory assurances that the obligations, whose sanctity has been so often asserted, will be honoured in the spirit as well as in the letter. The treaty with the Irish Free State shows that it is not beyond the ingenuity of statesmen to arrange for two species of Imperial connection within

Conclusion

the confines of a single country. There is a further point : Either by enlargement of the functions and powers of the Chamber of Princes, or in some other measure, the Princes feel that they should be given a voice in any legislative or administrative action which markedly affects their interests, in common with those of British India. The procedure of the League of Nations provides some analogies that may be useful here. But the whole question requires careful investigation by experts. Until the results of such investigation are available, it seems impossible to conceive the position which the Indian States will occupy in the future polity of India. Yet, to exclude them from the picture is impossible. They are too strong and too virile. If some world-catastrophe were to compel the British to leave India to-morrow, and abandon the destinies of the country to the arbitrament of the sword, the States would remain the only stable political units. They are the living embodiments of the Indian tradition of government ; as such, they are entitled both to study and to respect.

India : a Native State.

CHINA THROUGH THE AGES

I. CHINA AND EUROPE CONTRASTED

WHAT is China? That is the first question to be considered, and one of the factors—an important one if insight is brought to its interpretation—is the geographical background. But the geography might remain much as it is and yet China be something wholly different, politically and economically. We have also to realise the sort of human organisation that has been evolved, and this can perhaps best be done by contrasting the facts with those found in some other area—let us say, Europe.

In size and population China and Europe are to-day entities of much the same order of magnitude. Each may be taken to have about four hundred million inhabitants, and this fact alone rules out any real parallelism between China and any one of the European nations. The comparison must plainly be with Europe as a whole. There are, of course, senses in which the "Western World," as we call it, forms a single community. There is a unity among its parts, similarities of tradition and outlook—of *Weltanschauung*, as the Germans say—sufficient to make intercommunication of ideas comparatively easy and intimate. But the origin, development and geographical conditions of the Western nations present such sharply marked diversity that, though there have been approaches in that direction, they have never yet attained any permanent political cohesion.

China and Europe Contrasted

In China, on the other hand, there has for some two, perhaps three, thousand years always been in accepted political theory, and for long periods in actual fact, a paramount sovereignty. Her accepted theory of the universe was based upon the implication that such a paramount power exists as of right, and that things have gone very wrong if it does not exist in fact. In actual experience that power has often been broken into fragments: for generations, or even centuries, at a time it has been a disputable question where it resides, or which of several claimants has the better title to recognition—it has had constantly to battle against rebellion. But the existence of a general belief in its *de jure* existence has always tended to strengthen the forces making for political cohesion and, sooner or later, to bring the fragments together again. The area over which this belief prevailed expanded enormously in the course of time, but there was no effective rival theory, so that it has been a constant factor all through the period of which we have any reliable record.

Western Civilisation

The geographical and historical causes of this important difference between Europe and China are so obvious that we generally take them for granted. The ancestral civilisations from which Western culture took its rise began, not in Europe at all, but in the river valleys of Egypt and Mesopotamia. Both go back to an age so remote that it is hard to say which is the more ancient; but for several thousand years these two valleys were the only centres of settled culture in the world known to their inhabitants. Then, about two thousand years before Christ, there came an era when the most active and highly developed communities of the Western world were located on islands and peninsulas in the Mediterranean Sea. It was so with the Cretan and Ægean, with the Phœnician and Carthaginian, and also with the Hellenic civilisations. Though the portion of that era with which we are most familiar—

China Through the Ages

the brilliant period of the pre-eminence of Greece—was comparatively short, this island and peninsula stage goes back to a time far more remote than the classical age. It lasted long enough for its habits and ideas to become instincts which even to-day are far from extinct.

But, in point of fact, it was a peculiar stage in human development. The area of its activity lay entirely along the shores of the sea, and its units were very small. So far from the idea prevailing that there should be one paramount power ruling over all mankind, tiny communities, like those of ancient Greece and Italy, will, on the contrary, regard it as axiomatic that mankind consists of a multitude of self-sufficient city or tribal units, some cultivating the arts of civilisation, the rest living in barbarism, but all jealously independent of, and in competition with, one another.

Upon that world of desperately self-conscious little local patriotisms there descended "discord, Macedon and Rome." The details of that story need not be set out, but something over two thousand years ago, while the pre-supposition of a condition of exclusive city patriotism still occupied the minds of Western men, and all speculative thought still continued in that groove, the hard facts of the world had actually become different. One city State, Rome, had already developed into what we should now call a nation-State. By conquest, by military colonies or by alliance, she had extended her supremacy over all the shores of the Mediterranean, and her tentacles were cast across to the Atlantic coast of Europe, into the heart of Germany and the Danube countries, and over western Asia to the Caspian Sea and the Persian Gulf.

These conquests necessitated a new orientation. Men had now to absorb one another's laws and one another's gods, and all alike, conquerors and conquered, were ill at ease with a mental equipment that their actual needs had outgrown. Civic liberty in the old sense was impossible. If life was gentler and for a time more cultured, there was

China and Europe Contrasted

a thick pall of disappointment and a crushing sense of helplessness and futility. On all sides people began to grope for a way out—for salvation. The process of rearrangement begins with Zeno in the days of Alexander the Great, and continues to the time of Constantine, but its central figure is, of course, Jesus, who lived about half way through that period. By the time of Constantine the conception had become accepted of a universal religion, and, if not of a universal sovereignty, at least of a society in which men, in spite of war and discord, were in some sense members of one community. The Western world had, in a word, evolved the idea of Christendom.

But the geography of the West threw formidable barriers in the way of such ideals. Europe is a group of peninsulas, and though the sea is a channel of intercourse between the dwellers on its shores, it is also an effective barrier against their amalgamation. The different portions of Europe are sharply marked off. It has no natural, certainly no inevitable, centre. Its civilisation had spread, not from the heart to the extremities, but from the extremities towards the heart. Athens, Rome, Constantinople, successively its leading city, were not only remote from the large rivers and main land masses, but they had each in turn exhausted themselves in attempts to retain far-off dependencies, or to protect themselves and their subjects against the assaults of powerful adversaries.

And now political unity, such as it was, utterly broke down and a long age of chaos ensued. Out of that chaos there emerged, however, by degrees a new order. Into its composition there entered many conceptions. Some were taken from the old Egyptian and Babylonian cultures, chiefly through the medium of the Hebrew Scriptures, others from the old Greek city world; much was of Rome, and with it all there grew up an ecclesiastical system that derived its origin from, paid outward homage to, and, even when corruption was at its worst, could never shake itself completely free from a haunting consciousness

China Through the Ages

of the spiritual import of Christianity. There were also other, fresher elements ; traditions drawn from primitive Germany and the regions to the east of it, or from the magic circle of Celtic tribes, and the sea-roving Scandinavian adventurers ; especially there was a vigorous sense of nationality based in each region on similarity of language or community of race.

So, for a thousand years or more, Europe beheld the growth of two discordant schemes, one of which assumed the absolute independence of the constituent nations, while the other rested upon the conception of a single world with two co-ordinate sovereigns, in the spiritual and temporal realms, the Pope and the Cæsar.

But this was not all. Mediæval western Europe was not the only system to arise out of the ruins of the older civilisation. The super-state, or super-church, that had begun with Alexander and emerged as Christendom, split into parts. The first, perhaps the deepest, severance had its roots far back in the times of Imperial Rome. The Byzantine monarchy was, however, less an offshoot of the Cæsars than a reversion to the successors of Alexander. As it shed its Latin veneer, its religious system as well as its politics parted company with the West to transport itself, in the upshot, from the Bosphorus to Moscow. Both systems claimed to be the only genuine Christianity, and from the eleventh century they ceased to present a single front against the Moslem enemy which threatened the existence of both. The Mahomedan system—a breath of vigorous originality hot from the deserts of Arabia—swept a debased Christianity and an effete Zoroastrianism from large areas in Asia and Africa that had once been parts of the Western world, and spread far east and south beyond the utmost limits of Roman influence, yet so many of its constituent elements were taken from Europe that we cannot really regard it as a world apart. It reacted, moreover, on Europe from first to last in most significant ways.

China and Europe Contrasted

Thus, during the Middle Ages, our world came to embrace a far wider and more varied area than the *orbis terrarum* of classical antiquity. Obviously this made political unity in it infinitely more difficult. Even in western Europe the dream of an ideal union under Pope and Cæsar slipped away. Pope and Cæsar found themselves at length allies indeed, but allies wedded to the defence of a traditionalism from which all the most progressive minds of Europe were turning away. They survived as shadows while the real work of the West was done by growing nations, proud of a national independence that either rejected Imperial and Papal authority altogether, or excluded it from the business of daily life. The modern city and the modern State, as they developed in the West, were in spirit from the first protestant and secular. Thought tended more and more to adopt rationalistic channels ; to rely on observation, experiment and adventure ; to take nothing for granted ; to criticise every claim of authority ; to widen the domain of law, both natural and municipal ; to push aside the supernatural ; to exalt the right of the individual to freedom of judgment—and, what is especially germane to the present argument, to assert the doctrine not only of the absolute independence, but of the essential equality, of political States. The ideal that emerged was that of a community of sovereign entities, each wholly independent of, yet carrying on diplomatic, commercial and other relations with the rest. The system depended on the maintenance of a balance in the power of its constituent members that was threatened over and over again by one or other of them. On a far larger scale, and with vastly larger units, the Western world had worked its way back to the old Greek notion of local patriotism.

Simultaneously with the internal struggle to maintain or overthrow the "balance of power" there has been a wide external expansion of Western authority. For over four hundred years the European peoples have enjoyed a lead over the rest of mankind. The result has been that they

China Through the Ages

have swarmed over the earth. But the abiding consequence has been the creation not of transoceanic dominion by any particular nation, but of independent or self-governing States of Western type in all the thinly peopled parts of the globe. At the same time protectorates have been established in the tropical regions. Thus, in some five thousand years, the influence of the Western type of civilisation has come to embrace the whole, and its sovereignty the greater part of the earth. Yet it has never come under a single control.

So we get into the habit of looking on this combined effort of a number of different peoples as the whole of human history, until something happens to remind us that there are other worlds which lived their own lives for ages scarcely touched by our experiences. There is, for instance, the black world of Africa; there are the various worlds of India, and the lands beyond; but the greatest of them all is the Far Eastern world, whose main and central mass is China. China—not a nation in the Western sense—something far bulkier; yet, not a community of nations, as the Western world is, for there are no clearly defined internal frontiers; a region where the differences between distant places are great, yet in which, as you pass from point to point, it is usually impossible to fix a point and say that it marks the dividing line—a region whose parts fade insensibly into, or even overlap, one another.

Chinese Civilisation

In China civilisation began thousands of years ago, as it did in the West, in a great river valley—that of the Huang Ho. There, and there alone, settled conditions continued for ages, the whole remainder of the country being the wandering ground of scattered peoples of far lower culture. There has been much discussion as to the origin of the Chinese, whether they were from the west or from the south, and whether they came into contact with Babylonia or Egypt, for human occupa-

China and Europe Contrasted

tion of some sort goes back scores of thousands, perhaps hundreds of thousands, of years, as it does in Europe. Yet, the remains of neolithic times that have been unearthed in such sites as Shaoyangtsun, sixty-five miles from one of the oldest historic capitals, Loyang in Honan, show a type of man, physically indistinguishable from the modern Chinese, making stone and earthenware implements in form very like the bronze objects of the early historical period. There has been no general displacement of one race by another since those neolithic objects were made. Even if we date reliable history no further back than 1,000 B.C., archæology again steps in with the inscribed tortoise bone divination tallies from the waste of Yin, Chang-tê Fu in Honan, and throws a real, if feeble, glimmer of light on practices, language and names, under a succession of kings in that region, a long way back into the second millennium before Christ. We may admit that the antiquity of China, as an organised political entity, is not comparable with that of Egypt or Babylonia, yet agree that, at least in limited areas in the north, her civilisation is exceedingly ancient.

From that nucleus, far inland in the Huang Ho valley, the Chinese and their culture spread slowly, century by century, along the main rivers, keeping to the valley bottoms and cultivable plains and leaving the intervening mountain masses for a long period to peoples of inferior organisation. When at length they came to the sea they found in it not, as the West did, a highway, but a barrier. In this respect the only European country that resembles China is Russia. Conformably with this growth outwards, we find all the ancient capitals far away from the coast. There are, for instance, Chi-shan, Fêng, Hsien-yang, Ch'ang-an, Hsian—the oldest successive national centres known to detailed records—in the plain of the Shensi Wei river. There are Lo-yi, Loyang, the modern Honan Fu, scarcely less ancient. There is Pien, or Liang, or Taliang, or Pienliang, answering to K'aifêng Fu, as it is called

China Through the Ages

to-day. There are many others too, but, till we come almost to our own times, not one site of real importance on or near the sea.

As it spread, Chinese culture occasionally met with opposition, but never found itself faced by any organised people whose equipment was comparable to its own. The Chinese thus naturally came to think of themselves as the only civilised people in existence, and for the most part their growth was a peaceful percolation of colonists; we have only to compare this gradual, generally tranquil, evolution with that of Rome to appreciate the difference. There is no Etruria, no Samnium, no Carthage, no Greek world of ancient arts and learning to take its conquerors captive, no Egypt, and no Palestine in the picture. If there are the equivalents of Gauls or Germans or Britons, they sink quietly into the mass. China stands out as the one Central Kingdom: the one ordered, continuous, everlasting civilised community. Round her are mere scattered tribes, wanderers of the hills and forests, nomads of the steppes, hunters, shepherds, horsemen, drivers of camels and yaks, whose ethnical names vary from age to age, but whose untameable nature and almost total lack of orderly government or steady industry remain constant from first to last. Beyond these border tribes there was, as far as the early geographers could see, nothing. To the north, desert and steppe to the end of the world, to the land where the sky drops feathers and the summer sun never sets: westward, the sunset heights of K'un-lun, where the Mother-Queen of the West sits in her cloudy palace under the peach trees of the immortals: south-west, range beyond range of snowy summits, furrowed by dark, pestilential canyons, and, beyond, trackless and impassable glaciers: southward, the crocodile-haunted swamps of Manzidom, only fit to be a dumping ground for exiled poets and inconvenient statesmen: eastward, a boundless ocean over whose waves silly mystics had occasionally ventured with junk-loads of children, to seek the fairy

The Past

islands of P'ênglai, Fangchang and Yingchou, where the sun rises and the genii dwell. Sober, sensible people stay at home: they do not risk their lives or their dignity by exploring the waste places and rubbish heaps that lie along the edges of the universe.

All through the formative period of the Chinese people they were quite confident of being not merely the greatest, but the only people who possessed anything worth having or who had anything to impart to others. "I have heard," says Mencius, "of Chinese converting barbarians, I have not heard of any being converted by barbarians." The thought of being one people among many, and those their equals, never occurred, and could not occur. Obviously, the sovereign of China was the supreme head of mankind. Any other conclusion was as inconceivable as the existence of more than one sun in the sky. *T'ien wu erh Jih, Min wu erh Wang*—"Heaven has no second sun, the People no second King." The Chinese Kingdom was *T'ien-hsia*—all that lies under the canopy of the Sky; its King was *T'ien Wang*—the Heavenly King—or *T'ien Tzū*—the Son of Heaven—the representative of God on earth, to dispute whose unique attributes was rebellious treason.

II. THE PAST

IT would be impossible in an article of this kind to trace the course of Chinese history in detail from its legendary source. A mere sketch must suffice. But even that will be enough to show the way in which the idea of a single supreme sovereign and of a certain unity have persisted notwithstanding interminable internal dissensions. History has repeated itself here as elsewhere. It is the impact of the outside world, and especially of the West, that has coloured all and shaped most of their country's recent vicissitudes, but it remains true that the Chinese are the same people that they have always been, and if we wish to

China Through the Ages

understand their present perplexities it is in their past that we can most usefully seek for guidance.

Till about the eighth century B.C. theory and fact seem to have remained fairly in harmony; but in the reign of the Dark King, Yu Wang, political dogma began to drift apart, and after his successor, Ping Wang, had moved from the ancient capital to Loyang, though the old line continued, and the chronicles still reckoned dates by the years of a long series of shadowy "Heavenly Kings," in point of fact China was a group of mutually independent and generally rival States. The history of the next five hundred years, indeed, supplies on a grand scale the first analogy, perhaps the most instructive of all, to the present situation. This period ended in the overthrow and temporary obliteration of old China by the despotic Cæsarism of Ch'in Shih Huang-ti. It has been the habit of Chinese writers, looking at their national history through Confucianist spectacles, to represent this era as one of demoralisation and decay, and many foreign historians have accepted their judgment. Yet, it is surely not the whole truth. The China of Yu Wang was a little country, a small collection of feeble local lordships, grouped round their King, and themselves hardly emerged from primitive conditions, precariously holding a narrow territory against floods of surrounding barbarians. Five hundred years later we find six or seven great States, each of the dimensions of the modern provinces and filling two-thirds of what is to-day China proper, interacting upon one another. These States are constantly at war. They combine into leagues which the treachery or violence of one or other of their members immediately dissolves. It was not Confucius or Mencius, still less altruistic idealists like Moti, with his strange anticipation of Christian ethics, that that age revered, but Chang-ii and Su-ch'in, masters of cynical *Real Politik*, or generals like that Pai Chi who boasted of accounting for over a million enemy heads. If the Chinese potentates of that time sought an

The Past

intellectual basis for their theories of human affairs they took it from hard-headed egoists like Yang Chu or Hsün K'uang, the denier of human goodness. But this was, none the less, the formative age of China. Language developed into literature; speculative minds elaborated schools of thought; theories of conduct, ritual, politics, war and peace were tried over and debated; it was the most truly creative and original period of Chinese civilisation. And, all along, in spite of age-long discords, the ideal of unity in human affairs haunted men's minds.

In 545 B.C. there comes a proposal for a League of Nations among fourteen States to "arrest the occasions of death." The fourteen got reduced to four, and of that "Big Four" two refused to bind themselves by the covenant. A generation later we have Confucius, in B.C. 500, trying to revive the loyalist sentiments appropriate to the political conditions of B.C. 1,000, and expounding the morality that after ages have steadily regarded as orthodox. That morality differs in some respects from our own. Abhorring the idea of a community of independent human sovereignties it was naturally far less insistent on patriotism. Its loyalties centred on persons rather than on abstract ideals, and it taught relative rather than absolute duties. There was no vivid conception of an Olympus, still less of a single just God such as the Jews evolved, not to mention a Heavenly Father's kingdom, the central idea of Christian thought. Its deity was an abstract Providence and its religious worship a cold and vague reverence. The place of religious and patriotic zeal was filled partly by good manners—there was strict observance of the customs approved by the ancient patriarchs and sages—but chiefly by the exaltation of family loyalty, ancestor worship and filial devotion. These were indeed regarded as the root of all social stability and virtue. Through good and evil repute Confucianism has kept itself clean and noble by its brave insistence upon the dogma of the goodness of human nature—the salt that has kept

China Through the Ages

Chinese society from cynicism and despair. It has had much to say about mercy and righteousness. Its ideal of a *chün-tzu* is a very high one. But it would need some boldness to assert of any teacher of Chinese orthodoxy, as Tertullian does of Christ, that "*Dominus noster veritatem se, non consuetudinem, cognominavit.*"

But to return to our chronicle: the older States broke up or became absorbed in military monarchies, each more powerful than the decrepit old-world legitimate kingdom, and their princes assumed, one after another, the title and many of the attributes of kings; but it was ages before any proposal to displace the old line came to be seriously entertained. Once, but apparently only for a moment, a plan was mooted to end the rivalries of the "Great Powers" by establishing an eastern "Empire" in what is now Shantung, and a western one in Shensi. To Mencius, living in the very time when division was most intense, it still seemed axiomatic that there ought to be somewhere one supreme sovereign. But he and his age had given up all hope of effectually restoring the legitimate line to real power. The burden of his preaching was that the time was ripe, and if only a true king would arise and rule righteously anywhere, all mankind would flock to his standard as fishes are driven to shelter in the deep water at the approach of an otter, as small birds take to the thickets when a sparrow-hawk is hovering around.

And within half a century from the death of Mencius China was, in fact, united by blood and iron. In the year in which Hannibal laid siege to Saguntum, King Chêng of Ch'in proclaimed himself Shih Huang-ti, "Emperor the First" of the known world.

Ch'in, whose memory is so abhorred by Chinese literates, effected vast changes, but his dominion was only a momentary phase. The death of the conqueror was followed by a few years of chaos, out of which there arose a new and far more lasting, though less centralised, monarchy, the Han, which Mr. H. G. Wells holds to have been a greater

The Past

and more stable world-power than Rome herself. However that may be, this dynasty held the Chinese world together for four hundred years and vastly extended its authority. It accustomed many generations indeed to see in the Imperial power a realisation of that ideal of a paramount divinely commissioned sovereignty on earth that had always prevailed in theory. Twice, moreover, about 100 B.C. and 100 A.D., it carried Chinese arms or Chinese diplomatic intervention right across Asia to the Caspian and the borders of Parthia. If it failed to make the Chinese world conscious of the existence of other political systems, it at least opened up the channel through which foreign elements eventually fertilised it with new ideas. To the whole Far East the Han monarchy stood out as *The Empire*, and it became an article of faith, not only to his own subjects, but to their neighbours as well, that the Son of Heaven on his dragon throne at Ch'angan or Loyang was the supreme authority of the universe.

By the end of the second century of the Christian era, however, this, the first great Chinese Empire, was visibly crumbling, and just as in Europe, in the ages that followed the fall of the Roman hegemony, any barbarian chief who succeeded in founding a line, or ruled over a fairly wide domain, took upon himself the airs and titles of a Cæsar, so it was in China after the fall of the Han. In the north a multitude of ephemeral States battled with one another, and in nearly all of them the ruling house sprang from invading Tartar tribes. For a while, sovereigns of Toba-Turkish race built up the Pei-wei dynasty, which endured for a century and a half, and at times came near to consolidating the whole north. But for the most part the history of northern China in those ages is chaos. In the south—what we should now style the centre—a succession of dynasties affected to perpetuate the traditions of the genuine Empire, but produced only one personality really worthy of remembrance, the Buddhist-devotee monk-emperor Hsiao Yen, canonised as Liang Wu-ti, who

China Through the Ages

reigned at Nanking from 502 to 549. Fifty years later China was, however, reunited by a great, austere, and on the whole beneficent Emperor, Yang Chien of Sui, and the old idea of a single sovereignty was once more realised in the T'ang dynasty. These four centuries that separate the Han and T'ang dynasties afford a second analogy to the present troubles. This time, however, instead of Chinese adventurers extending Chinese culture over non-Chinese peoples, we constantly find Tartar chiefs ruling over Chinese populations into which they are gradually absorbed. Instead, too, of the development of a purely Chinese philosophy and literature, we have an age in which little or nothing was added in the way of national thought, and learning languished. The whole Chinese world was permeated by a foreign imported religion. It is the age of the Buddhist missionaries and saints, when Indian ascetics spread along the trade routes which the adventurers of Han times had opened, when monks and hermits settled in forest retreats and rocky recesses, bringing to the people of China a message of spiritual peace that has never perhaps ranked as of equal authority with the teachings of their own classics, but has nevertheless profoundly modified their thought and inspired all that is highest in their art, and remained ever since the religion of the masses.

This, the second great Chinese Empire, lasted from the end of the sixth till the beginning of the tenth century under the Sui and T'ang dynasties. It was the artistic and emotional era of Chinese history. There was great interest, too, in religion, though perhaps more in its form than in deeper speculation. Music was cultivated and the drama had its beginnings. It was also an age of romance and adventure. It was then that Hsüan Tsang performed his memorable pilgrimage through India, when Kao Hsien-chih led an organised army across the beetling glaciers of the Hindu Kush and for a season planted Chinese suzerainty in Afghanistan. Meanwhile, the lands south of the Yangtze watershed as far as the sea, Ling Nan,

The Past

the Cantonese and Fukienese country, was incorporated in China, which became for the first time a land of commercial cities and maritime trade. At the same time the Buddhist religion and Chinese culture, percolating by way of Korea, permeated and fascinated the imagination of Japan.

Yet, these centuries were not, on the whole, a period of sustained intellectual progress, nor, except at the outset, of political stability. The China of the T'ang age does not stand out so emphatically as the China of the Han dynasty, as the one great Power of the Far Eastern world. She was now hemmed in by rivals, conspicuous among them the Moslem conquerors of central Asia. India herself was ceasing to be Buddhist and dropping away from the old spiritual communion of the missionary days. If the Turks in the north were driven back, it was only to make room for fresh hordes. The ruling house in China was itself half Turkish, and many of her heroes were aliens.

With the ninth century appear the first premonitions of a reaction against supernaturalism, but it was only after the T'ang régime had been followed by a century of disunion and invasion that a mass movement of the educated classes became possible, and China was launched definitely upon a career of national reconstruction on the lines of her old traditions. This period of division might be taken as a third parallel to the modern situation, and it is also a very instructive one. Brutal as were these times and wearisome as is the tale of weakness, instability, and disaster, they were the birth throes of modern China. Many of these fleeting kingdoms are quite recognisably the modern provinces, and their capitals are the provincial capitals that still exist. There was the same tendency, too, to local military despotisms.

The end of this phase was a great rationalistic, humanistic, intellectual movement, the reinstatement in China of Confucianism. It was the time of the mature minded Sung dynasty (founded in 960) and its philosophers, when

China Through the Ages

all orders of society were subordinated to the professional scholar class. To this age Europe owes a deeper debt than is commonly realised. From a Chinese point of view this renaissance expanded and modernised Confucianism. While imagining that it was merely restoring and interpreting antiquity, it in fact created the social organisation of modern China and developed those institutions which from the eleventh or twelfth century to our own times have held the Chinese together. It, in fact, did for China, only with far more permanence and success, what the Catholic Church attempted to do for Europe.

It is true that the Sung Empire had to battle with a host of difficulties and, from a military point of view, it was a humiliating failure. It lost its northern provinces to the Kin Tartars, and later, in the thirteenth century, the whole Chinese world was overwhelmed by the avalanche of Mongol conquest. But from a world standpoint that was the most important aspect of the situation. For it was the immense dominion of the Mongol Khans, sprawling across from Poland to the Pacific, that spread the culture of the Sung renaissance over the earth, and interrupted the stagnation of mediæval Europe by bringing into general use, cotton, paper, coal, optical lenses, printing, gunpowder, and, shall it be added, chess and playing cards, the material framework, in a word, of our modern industrial civilisation.

China survived the crash of Mongol conquest without disruption, and the fourteenth century brought a nationalist revival which swept the Mongols back into their native deserts. The renewed Chinese Empire of the Ming was haughtily exclusive and reactionary, and in time it sank under the burden of its own corruption; but its long duration enabled those institutions which the scholars and administrators of Sung times had planted to take root, and, when all is said, the permanent framework of modern China is what the Ming age made it. The last half century of Ming rule, however, presents an appalling picture of mis-

The Past

rule, famine and massacre. Civilised society was only saved from relapsing into utter chaos by the Manchu conquest in the seventeenth century, and from about 1683 China enjoyed for more than a hundred years a degree of tranquillity under efficient rulers that she had never known before. The Imperial power was again extended over the wilds of Mongolia, the tablelands of Tibet, the Moslem principalities of Kashgaria to the barrier of the Pamir, and, to a lesser degree, over Annam, Siam, even for a time as far as Burma.

This was the time when China and the West began to take notice of each other, when the impression was left that the Chinese were an essentially pacific and stationary people, though to the Chinese themselves it still remained an axiom that their culture placed them at an immeasurable distance above the dwellers in other lands.

The prevalent impression was still that China was the one great central Power of the world. If the inhabitants of other lands came to her, it could only be as suppliants or as tributaries, and if they denied their subordination they were *ipso facto* rebels. This remained the constantly reiterated, stoutly asserted attitude of the Chinese Manchu Government till far into the nineteenth century.* Such was the mental equipment with which China was called upon to face the ordeals of the nineteenth century. Nor had she any longer the advantage of political stability, for the great Manchu dynasty had, like all the rest, itself fallen into decrepitude.

On the tragic history of China after the abdication of Ch'ien Lung it would be impossible here to dilate. It is, however, written large in its results. Frantic efforts to exclude were followed by no less frantic efforts to buy and assimilate at least the material achievements of the West. But the old garment was rent hopelessly as patches of new material were hastily sewn on to the moth-eaten

* See the message from the Emperor Ch'ien Lung to George III. and the extract from the official history set out in the appendix.

China Through the Ages

fabric of ancient tradition. Convulsions of growing intensity, alternating with fits of coma, marked the stages of the decline which has ended in the moral, intellectual and political chaos of to-day.

Yet, it is not all chaos. The Chinese of to-day are vastly better informed than their ancestors were a hundred years ago. The output of literature on "new" subjects is great and daily increasing. For the last thirty years a succession of reform parties have laboured, sometimes with success, to bring one or another of their country's institutions into a higher state of efficiency. There are local patches of a very promising new order. The ferment is not all turbulence, but a reformation, or at least a clearance of the ground preparatory to a reformation.

III. THE FUTURE

IT is the habit of many publicists, Chinese as well as foreigners, to draw parallels between the experiences of present-day China and events such as the French Revolution or the American War of Independence, and it is true that a general movement in the direction of more or less democratic institutions has swept over the world in modern times, and extended to Asia as well as elsewhere. But Western democratic ideas have only a limited applicability to the Chinese. Where Western catchwords have been adopted by them they never ring true and rarely have any intelligible significance. They have no real root in the soil. The idea of the participation of the unofficial public in the election of representative assemblies whose legislative measures are to express the national will implies a breach with the traditions and habits of a very long history. "He who does not fill an office should not plan the administration of its duties," says Confucius. If analogies are to be sought in Europe it is necessary to

The Future

go back to the Renaissance and the Reformation,* though China has this advantage over mediæval Europe. She comes to similar problems later. She can buy or imitate our mechanical contrivances. She can profit by our mistakes, and there is no need for her to undergo all the vicissitudes that Europe has passed through in the last five centuries. She is comparatively free from acute sectarian division. The cleavage between her social grades is less marked than it was among our ancestors. And these advantages are considerable, though she has a special handicap of her own in the apathy, ignorance, poverty and backwardness of her masses—perhaps the gravest danger that confronts the world to-day—and her linguistic difficulties are far more serious than any that we in the West have ever had to meet.

China has, however, her own forms of democracy in her families and clans, in her trade guilds and other similar organisations, and especially in those liberal social ideals which have animated Confucian thought from the beginning. They began to find a place as far back as the Han dynasty, and since Sung times they have constituted the central feature of the social and political system. China has certainly had her full share of the doctrine of the divine authority of kings. The title of her own was based not on votes but on a divine mandate. But their commission might be forfeited by misrule, and even misfortunes were often regarded as tokens of a divine withdrawal, justifying rebellion and adherence to some new appointee of Heaven not only as a right but as a duty. Rational support and rational opposition were alike frowned upon, but rebellion found a sanction in public opinion even when it was resorted to for trivial motives. Consequently, the line of Imperial succession has been constantly disputed and frequently changed. There has been nothing answering to the transmission in one family

* For a comparison with conditions in England during the fifteenth century see *THE ROUND TABLE*, No. 67, June 1927, p. 482.

China Through the Ages

through immemorial ages from a Sun God such as is found in Japan.

Political power, too, has for many ages been regarded by Chinese theory as the rightful endowment not of military force, aristocratic birth, wealth or priestly office, but of capacity and talent openly proved in competitive examinations, to which, with few exceptions, every citizen is admitted. China's road to freedom is not our road, but a considerable measure of freedom has been attained, and, though practice has often failed to keep level with theory, the ideal of the participation of the intelligent classes in public life had been too long ingrained for her to have been classed, even before the Revolution, as a mere despotism. The arbitrary exercise of power has never been of the essence of her system, but merely an abuse, though, it must be admitted, a frequent abuse. On the whole, few great societies have rested more on persuasion and less on force.

Her spirit is quite different from that of Japan, notwithstanding their kinship and the reaction which each country has so often had upon the other in history. Neither the exclusive feudalism of the Tokugawa, which fell sixty or seventy years ago, nor the centralised bureaucratic monarchy which succeeded it and guided the modernising of Japanese institutions, had enough in common with any phase of Chinese development to supply any really useful analogy. Wide as are the divergencies between China and the West, there is more real likeness between her world and ours than between it and the Japanese world. We and the Chinese sometimes submit to discipline. The Japanese love it instinctively. To say this is not to deny the enormous influence that Japan has had, whether by attraction or repulsion, upon modern movements in China. She has stimulated the imagination of the whole of Asia. The individual Japanese is, like ourselves, often disliked and sometimes despised on the continent. Japanese actions have aroused intense resentment. Yet, if there is fear and envy, there is admiration in a far higher measure. If Japan

The Future

can do what she has done, it is asked, how is it that China, with ten times her population and resources, and an original civilisation, of which Japan's was only a weak and comparatively recent copy, fails to meet the white man on terms of equality? There are various answers to this question. One, of course, is that Japan is a nation, while China is both something more and something less. China is a mass of humanity held together by a certain community of culture, but a mass so immense that the cement which binds it has proved unequal to its weight. There are also points of resemblance between the early relations of Western nations with India and the present position of foreigners in China. But China is not India. The divisions that have afflicted her do not come from race, caste, or religion. They are local and personal. She possesses an essential unity that was never possessed by India, and that would make anything in the nature of permanent foreign domination impossible.

What form, then, will the unity of China take when it is restored? She is to-day involved in the attempt to assimilate a mass of new ideas and faced with a network of new problems. For this task her previous experience affords but little guidance, for these problems lie outside the range of her native traditions and largely outside the scope of her native ethics. Whatever its difficulties and temptations, however, the Chinese world has at bottom always been too coherent either to need or to endure for long anything in the nature of foreign tutelage. Certain chapters in its history suggest the possibility of a drastic remedy, the dictatorship, for instance, of some new Ch'in Shih Huang-ti, or sweeping revolutionary novelties such as for a time gave to the southern cause its Bolshevik colour. The earliest instance of the kind takes us back to the usurpation of Wang Mang, who in the year 8 A.D., after temporarily overthrowing the Han régime, started the Hsin (New) dynasty, which was to abolish poverty and establish a communistic Heaven on earth. A second and more

China Through the Ages

famous example of communism was the reforms of Wang An-shih, chief minister to the Emperor Sung Shên-tsung, from 1068 to 1086. Another instance was the programme of Kang Yu-we in 1898, which also proved to be the prelude to strife, the Boxer troubles.

Whatever the intrinsic merits or demerits of these schemes, they all suffered from two defects. First, they were the work of doctrinaires, unsupported by any general popular demand, or by an adequate military force. In the second place, they all called into existence a host of new officials, who, in a society soaked with the notion that a man's first duty is to his family, inevitably saw in the schemes chiefly a means to their own enrichment. They naturally, therefore, provoked a reaction and the proscription of the reforming party.

But although Chinese experience points to military terrorism more as a warning than as an example, and to sweeping innovations as the road to disaster, it also clearly indicates that leadership is essential for any improvement. It does more. It shows the sort of leadership that is needed. From the earliest times orthodox Chinese thought has unhesitatingly given its adhesion not to the war-lord, not to the venturesome theorist or experimenter, but to the just and merciful hero who employs force only to suppress lawless violence and to protect the people. It is a special note of such a character that he must consult and honour scholarly, wise advisers. The "Kingly Way"—*Wang Chêng*—is continually contrasted with *Pa Tao*—"Arbitrary Rule." Whatever momentary success may have attended aggression in Chinese history, mere conquests have never resulted in a real settlement. They may have been a necessary preliminary stage, but in every case they have been short-lived episodes. The lasting and really successful Chinese régimes have been the work of leaders of a higher type, whose rule has been based not on force, but on the willing co-operation of their people. We are told that the ruler who governs unmercifully with a

The Future

view to his own enrichment—still more the one who resorts to war—is “rejected by Confucius.” Mencius declares that conquest by force is no true conquest, for it is not the subjection of men’s wills but only of their inadequate strength.

The character of the redeemer is portrayed in many passages of the Chinese classics. Mencius tells us of T’ang, the founder of the ancient Shang dynasty, that

He undertook eleven expeditions, but he had no enemy under Heaven. While he was on an expedition to the east the western tribes complained of his delay in visiting them. When he was campaigning in the south, the northern tribes murmured, “Why does he leave us to the last?” The people watched for him as men watch for rain in a great drought. Those who were on their way home from market did not stop; those who were weeding their fields did not interrupt their work. He chastised the princes, but he consoled the people, like a timely fall of rain.

We have found the most illuminating analogies to the present state of China in her own past. In the same way her traditional morality, and its intelligent readaptation to modern needs, should prove the most trustworthy guide to the solution of her problems.

APPENDIX

MESSAGE FROM THE CHINESE EMPEROR CH’IEN LUNG TO GEORGE III.

You (George III) O King, live beyond the confines of many seas, nevertheless, impelled by your humble desire to partake of the benefits of civilisation, you have despatched a mission respectfully bearing your memorial. . . . I have perused your memorial: the earnest terms in which it is couched reveal a respectful humility on your part, which is highly praiseworthy.

In consideration of the fact that your Ambassador and his deputy have come a long way with your memorial and tribute, I have shown them high favour and have allowed them to be introduced into my presence. To manifest my indulgence, I have entertained them at a banquet and made them numerous gifts. . . .

As to your entreaty to send one of your nationals to be accredited to my Celestial Court and to be in control of your country’s trade with China, this request is contrary to all usage of my dynasty and cannot possibly be entertained. . . . If you assert that your reverence for Our Celestial dynasty

China Through the Ages

fills you with a desire to acquire our civilisation, our ceremonies and code of laws differ so completely from your own that, even if your Envoy were able to acquire the rudiments of our civilisation, you could not possibly transplant our manners and customs to your alien soil. Therefore, however adept the Envoy might become, nothing would be gained thereby.

Swaying the wide world, I have but one aim in view, namely, to maintain a perfect governance and to fulfil the duties of the State: strange and costly objects do not interest me. If I have commanded that the tribute offerings sent by you, O King, are to be accepted, this was solely in consideration for the spirit which prompted you to despatch them from afar. Our dynasty's majestic virtue has penetrated into every country under Heaven, and Kings of all nations have offered their costly tribute by land and sea. As your Ambassador can see for himself, we possess all things. I set no value on objects strange or ingenious, and have no use for your country's manufactures.

Extract from Official History of the Ming Dynasty (completed 1747)

Italy is situated in the middle of the Western Sea. From of old it had no intercourse with China, but in the reign of Wan Li a native, Matteo Ricci,* came to the capital. He made a map of the world, and declared that there are under Heaven five great continents. The first, named Asia, contains over a hundred countries, of which China is the chief. The second, named Europe, has over seventy countries, of which Italy is the chief. The third, Lybia, has likewise over a hundred countries. The fourth, America, is even larger in area, and it consists of connected portions, forming two continents, North and South. Lastly, Mo-wa-lieh-ni-ka, is the fifth and completes the large areas of the earth. Wild, vague and unverified as these statements are, yet, as many of his nationals have come to China, there can be no mistake as to the existence of his country. The majority of the people of European countries are adherents of the religion of the Lord of Heaven and of Jesus, for though Jesus was born in Judea, a country midway along the west of Asia, this religion spread into Europe. Its founder was born in the second year of Yüan Shou, during the reign of Han Ai-ti, cyclical character *keng shen*, or 1,581 years before the ninth year of Wan Li, when Ricci first landed, after a sea journey of 90,000 li (30,000 miles) at Hsaing-shan-ao in Kuangchou. This religion henceforth impregnated China till, in the twenty-ninth year of Wan Li) he entered the capital. . . . etc., etc. (*Ming Shih*, *Lieh ch'uan*, Chapter 200).

* A Jesuit missionary in China about 1600.

REFLECTIONS ON THE INDUSTRIAL SITUATION

NO one with a retentive memory who has followed the discussions on industrial subjects in the press during the last ten years can have failed to observe that fashions in panaceas change. Whitley Councils and welfare systems followed the Peace. In their full florescence they were short-lived, but they created a habit of mind, a general disposition to believe that it is on the whole a good thing to improve the amenities of factory life and to provide, however informally, for regular discussions between workers and management. The first shock of the great slump shattered the idea that the influences affecting prosperity were mainly concerned with the psychology of the workers. We began to realise that the war had been an economic as well as a political disturbance, we clamoured for peace and stable currencies and a reparations settlement. We got them, oddly enough, and have been doubtful ever since whether they were really all we had thought they would be. The unemployment figures seemed strangely unresponsive, balance-sheets grew yearly more depressing. The coal strike saved us from the most awkward of all predicaments, that of being gravelled for an explanation. Inspired by the popular press, we prayed aloud for the discomfiture of Mr. Cook and the dawn of the great trade revival which he was so unkindly retarding. At the same time industry was exhorted to set its own house in order. Reconstruction became the watchword, the chartered accountant was

Reflections on the Industrial Situation

hailed as the *deus ex machina*. The stigma of notoriety will soon rest on any concern in the heavy industries which has failed to invoke the aid of a committee of distinguished persons. And yet all is not well.

The unemployment figures have fallen during the summer below a million, for the first time for years, but it was only for a week or two. The lag in production caused in many industries by the coal strike has been caught up, and has been followed not by the boom so loudly proclaimed in the autumn of 1926, but by a period of normal or even sub-normal business. Prices on the whole have fallen and costs on the whole have remained stationary. In the coal mines longer hours have led to an increase of about 15 per cent. in the output per man, wages in almost all districts have fallen to the minimum, the collieries have engaged in a frantic scramble for orders in the coal markets of the world at almost any price. British coal has, it is understood, been sold in Berlin at prices which are appreciably lower than those of Silesian coal; the price for best Welsh coal in Piræus has fallen as low as 26s. 6d. against a pre-war price of 24s. It is not surprising that the April returns for the districts showed losses varying from 6½d. a ton in Durham to 1s. 6d. in Scotland. If we look beyond coal, the production of pig iron is still below that of 1913, and although the output of steel is higher, most of our principal competitors can show a greater increase. There has been some revival in shipbuilding, but the tonnage under construction is much less than in 1913, and again the encroachment of foreign yards has been remarkable. Short time in an extreme form remains in the cotton mills. The continued depression of our former staple industries is best shown in the figures of our total exports, which are down to three-quarters of their pre-war volume. The visible adverse trade balance increased from £70 million in the first half of 1913 to £209 million in the same period of 1926.

Here by general consent is the most disquieting feature

Reflections on the Industrial Situation

of the industrial situation. There are no doubt individuals who with the cold complacency of the mercantile school are willing to measure our prosperity by the extent of our invisible exports. Shipping, banking and finance, and international commerce are an immensely important side of our economy, but it would be rash to suggest that they can support the burden of the recent contraction of our export trade, and if they could, few would be prepared to face with equanimity the disturbance caused by industrial unemployment and decay. The coal, iron and steel, and engineering industries are rightly known as basic trades, and it is difficult to conceive that Great Britain can remain a first-class industrial country unless those trades can be restored to a remunerative and fully efficient activity.

If we take a wider survey of the industrial field there are many reassuring signs and little to support any theories of national decadence. There has, indeed, been remarkable expansion in many directions, in industries such as artificial silk, motor vehicle manufacture and electrical engineering. Industry is leaving the old centres to spread over the countryside. In an age of revolutionary technical progress our chemists and engineers have fully held their own. Individual enterprise and initiative can point to achievements no less wonderful or romantic than at any earlier period of our history. The skill of our artisans and the fundamental stability and common sense of the workers are unimpaired. In spite of the unemployment of recent years and in the face of unprecedented difficulties, all the evidence shows that the level of real wages and the general standard of living are higher now than in 1913.

On broad lines it appears, then, that the industries of the country can be divided into those which tend to expand and those which for one reason or another tend to contract, and that the former class have so far been more important in the home market. In the interests of the basic export trades any movement that will have the effect of stimulating world trade and of redressing the disproportionate increase

Reflections on the Industrial Situation

of world production over that of world trade must be welcomed. This was the primary object of the International Economic Conference which met at Geneva in May and attained a greater measure of success than had perhaps been generally anticipated. Much time and thought had been spent on preparation for the Conference and it was held at an opportune time, when the protracted industrial malaise which afflicts the whole of Europe had compelled the politicians and business men of the Continent to reconsider their economic position. The most striking result of the Conference was the unanimous acceptance by the delegates, representing for the most part highly protected nations, of resolutions affirming the importance and indeed the necessity of a return to freer international trade. Resolutions cost nothing and are often forgotten in less time than has been spent on drafting them. The ink was scarcely dry at Geneva before both France and Germany were busily enacting increases in certain parts of their tariffs. But the opinion of competent observers at the Economic Conference appears to be that its good resolutions were seriously meant and that its missionary value was considerable. It is possible to record and welcome this result, like any other sign of the admission of reason into economics, without suggesting that any British industry can afford or is likely to look to Geneva for its salvation. Any lowering of the barriers to trade must directly benefit our export industries, but their only safe policy is to make their calculations and recast their organisation on the basis that the barriers will remain.

It would be outside the scope of a brief article to propound a constructive programme for each basic trade. Obviously the conditions vary greatly and generalisation is only safe up to a point. But there are certain broad characteristics common to several industries, and alternative general policies have been advocated from time to time and can be examined on broad lines. It is, for instance, true to-day of the coal and iron and steel trades,

Reflections on the Industrial Situation

and even of a new and expanding industry such as electrical engineering, and it will probably be true to-morrow of another new industry in artificial silk, that the productive capacity of the country exceeds the demand. It is not easy to see how wages can be further reduced, and it is doubtful whether any further substantial reduction in production costs can be obtained as long as the industries work in their present units. In these circumstances partial and therefore inefficient production all round, with wasteful internal competition and a general failure to make profits, are inevitable.

The fashionable panacea of reconstruction offers no real remedy for these conditions. If a concern has been a victim of unsound financing or has embarked on a career of grandiose and unjustifiable expansion or has made foolish investments, but has retained the essentials of a profit-earning business, "facing the facts," as the phrase goes, and cutting away the dead wood may well be the beginning of a cure. But if the governing conditions of the industry preclude the possibility of profits, reconstruction is no longer a useful surgical operation so much as the dissection of a corpse.

In theory, no doubt, the mere lapse of time will counteract the conditions which we have described. If every colliery district in the country works at a loss for a long enough period or if all iron and steel makers continue to show losses or negligible profits, the weakest undertakings will go out of existence and the fittest will survive. Industry unfortunately does not obey the ruthless and inevitable laws of the jungle in these matters. Concerns seem able to survive more or less indefinitely in a state of semi-animation. After six years of the present conditions the relief to survivors through the disappearance of competitors is scarcely appreciable, and at the same rate neither this generation nor the next will solve the problem.

Of the heroic solutions nationalisation would go farthest. By a curious and perhaps fortunate accident it has been

Reflections on the Industrial Situation

most consistently advocated in one of the industries—coal-mining—for which it is most evidently unsuited. The case against the nationalisation of the mines has been frequently stated in *THE ROUND TABLE*. If the Samuel Commission is remembered for nothing else, its demonstration that national operation of the mining industry is repugnant to reason and common sense will not be forgotten. If the present conditions in the coal-mining industry are allowed to continue indefinitely, nationalisation may be revived as a practical issue, but hardly otherwise. It is no doubt because they have appreciated this danger that the advocates of the alternative policy of “rationalising” industry have come forward.

Germany is the spiritual home of the rationalisers. They are impressed by such facts as these. There are 715 separate colliery undertakings in Great Britain, as against 70 in Westphalia producing one-third of the British output and 16 in the Pas de Calais district of France producing one-twelfth. For a cargo of coal in a Mediterranean port it is not uncommon for forty British offers to be received in competition with one German. Extensive powers are vested in such bodies as the *Kohlensyndikat* and the *Stahlwerkverband* to fix prices and to allocate orders. In another field, the electrical engineering industry in Germany is dominated by two great companies. In this country four leading firms—employing together fewer men than one of the German companies—are engaged in the task of maintaining technical progress over the whole range of electrical plant and in almost unrestricted competition with one another in the markets of the world. Snapping at their heels are a host of smaller concerns, each with its limited range of special products. The remarkable development of this particular industry in the last ten years has been attained in spite of, rather than owing to, these conditions, and if they continue the time may not be far distant when the state of the industry will be comparable with that of the iron and steel trade to-day.

THE ROUND TABLE

THE ROUND TABLE is a Quarterly Review of the politics of the British Commonwealth conducted in a strictly non-party political spirit. It seeks to promote the unity of the British Commonwealth by presenting every quarter an accurate and non-partisan account of the politics of all parts, together with articles dealing with foreign and inter-Imperial problems from the point of view of the whole Commonwealth.

THE ROUND TABLE, which appears every March, June, September and December, can be obtained through any Bookseller or through any of the following :

GREAT BRITAIN AND IRELAND : Messrs. Macmillan & Co., Ltd., St. Martin's St., London, W.C.2.

CANADA: The Macmillan Co. of Canada, Ltd., 70 Bond Street, Toronto.

AUSTRALIA: Messrs. Macmillan & Co., Ltd., 32 Flinders St., Melbourne.

SOUTH AFRICA : J. Tyndall, Esq., 126 Corporation Buildings, Johannesburg.

NEW ZEALAND : The Secretary, THE ROUND TABLE, 142 Featherston Street, Wellington.

INDIA: Messrs. Macmillan & Co., Ltd., Bombay, Calcutta, Madras.

EGYPT: The Express Book and Stationery Store, near Shepherd's Hotel, Cairo.

CHINA AND STRAITS SETTLEMENTS: Messrs. Kelly & Walsh, Shanghai, Hong-Kong, Singapore.

JAPAN : The Maruzen Company, Ltd., 14-16 Nihonbashi Tori San-chome, Tokyo.

UNITED STATES: The Macmillan Co., 60 Fifth Avenue, New York.

ORDER FORM

Date

To

Please add my name as a subscriber to THE ROUND TABLE for a period of one year commencing with the ^{*current} _{*next} issue.

I enclose a remittance of *£1, *\$5, *Rs.15.

Name.....

Address

* Delete one of these words and prices as necessary.

LONDON: MACMILLAN & CO., LTD.

Reflections on the Industrial Situation

The danger of rationalisation as a gospel is not that its premises are wrong or that it is mistaken in the broad conclusion from those premises that the organisation of the basic industries needs to be recast. It is rather in the assumption that a particular mould which has served its purpose in Germany or elsewhere is the best we can find in this country. What is thought rational in Germany may seem to us irrational and be quite unworkable here. There is no inherent probability in the assumption that a method of selling Westphalian coal which has been successfully developed by Germans under a protective system can be applied with equal success by Britons to the sale under free trade of coal from a dozen different districts. It would be more in the tradition of this country to evolve its own solutions of its problems, its own remedies for weaknesses that have been revealed. The facts cannot be seriously disputed, though they might certainly be better known. There is, in present world conditions, an excess of productive capacity in iron and steel, mainly owing to the extension of plants during the war, in coal mining, owing to the rapid development in the use of oil fuel and other forms of power, and to a less extent in certain other industries. There is an unnecessary and uneconomical dissipation of effort in technical development and in selling organisations both in coal mining and in an industry such as electrical engineering. There is obsolete plant to be scrapped both in the mines and in the steel industry.

These defects will be overcome if at all not by any simple process of universal application but by a combination of several processes. Amalgamations will certainly play their part. In the coal industry the fusion of colliery companies has recently received legislative encouragement and though little use has so far been made of the new powers, force of circumstances seems bound sooner or later to drive colliery undertakings together. Experiments will probably be made with new methods of selling and distributing coal, by co-operative selling agencies acting for concerns

Reflections on the Industrial Situation

which otherwise retain their independence, or by the extension of municipal enterprise, or both. In highly technical industries arrangements may be looked for such as that which has recently been entered into by three firms of cable-makers, who have agreed to pool their research work and to have a free interchange of patents and of information regarding manufacturing processes. Such arrangements are one of the most distinctive features of the corporate life of employers in the United States.* In these and other directions industry is feeling its way. Partial associations are likely in time to become closer, but there is every indication that the intensely individualistic character of the British genius and its reluctance to surrender independent initiative will be reflected in the forms of arrangement commonly adopted in this country.

Even so there are many who feel a profound distrust of the big concern or the trust or ring or cartel. This feeling was recently expressed with more force than discretion by a Judge of the High Court, but it is by no means always or entirely based on ignorance. The City has been responsible for some thoroughly unsound financing of amalgamations since the war and the catastrophic results of a number of these ventures have discredited the whole genus. There is, too, the fear that the consumer will suffer and that all forms of combination are an invention to make him pay more. American and Continental experience are freely cited in proof. But it is often forgotten that in those countries the trust or cartel has been buttressed by a high protective tariff. As long as we remain a free trade country, the well-known talent of the railway companies, socialist municipalities, public utility undertakings and our other monopolists for buying in the cheapest market may be trusted to check the greed of that *Croesus*, the manufacturer. A more deeply founded objection to the creation of larger industrial units is that

* See *Industrial Relations in the United States*, by H. B. Butler, C.B., International Labour Office (League of Nations), 1927, p. 69.

Reflections on the Industrial Situation

they might facilitate the birth of the Socialist State. That is a risk which it is wise not to ignore, but which it would be better to incur if the only alternative were a continuance of over-production. That is an abnormal condition which calls for special measures to meet it. There are industries in which the State, if public opinion was not prepared to tolerate unrestricted voluntary arrangements, might usefully intervene. If, say, 75 per cent. of the firms engaged in the iron and steel industry agreed that it was necessary, the State might by legislation, after an enquiry as to the works that might with advantage be shut down, compel the owners of those works to cease production and the others, who were allowed to continue, to compensate them. This would be an unusual interference with private enterprise, but it would achieve the desired results of economical production and a retention of competition, and a public which was not prepared to approve such legislation could not reasonably refuse to allow industry to seek its salvation in other ways.

INDIA : CONSTITUTIONAL AND POLITICAL

I. DYARCHY AND PROVINCIAL CONTRIBUTIONS

NO doubt many people who read the telegraphic accounts of the debate on the Indian budget last March, and noticed that the greater part of the provincial contributions had been remitted permanently, whilst the remaining portion had been remitted for the year 1927-28, wondered what it was all about and why the remission should be hailed as one of the greatest of all the achievements of the Government of India since the reformed constitution came into operation in February 1921. It is worth our while to try to understand the importance of the remission of provincial contributions and what it means not only to the finances of the central and provincial governments in this country, but also for the future of India's constitutional progress.

The beginning of the story goes back to quite early days of British rule in India, to the days when all the revenues of British India went into one purse and the Government of India allowed the provincial governments so much annually for their expenses. A system such as this served its purpose well enough as long as the administration of the country was simple and the activities of the provincial governments were not very extensive or elaborate. These conditions obtained up to the Mutiny, but after its suppression, and after the assumption of the government of

Dyarchy and Provincial Contributions

India by the Crown, a period of progressive development set in which speedily began to alter the scope and character of the functions not only of the central government, but of the provincial governments also. The minute on Indian education, which was written by Mr. Wood in 1854, was the real starting point of the modern system of education in this country, which speedily produced numbers of schools and colleges. Again, after the Mutiny the Government of India realised that the time had come when the old ineffective bodies of local police had to make way for a properly organised system of constabulary on a provincial basis. Yet again, the need for communications and the beginnings of canal irrigation called for the services of engineers who could also be grouped most appropriately in provincial cadres.

Thus it will be seen that the outburst of developmental work which followed the replacement of the Board of Directors by the Crown entirely altered the status of the provincial governments. Their activities became wider and more numerous and their responsibilities ever more onerous, and the necessity for some decentralisation, both of administrative and financial powers, became continually more and more pressing. By 1870 the time had become fully ripe for some change in this direction, and the reforms inaugurated by Lord Mayo in that year were the first of a series of changes which have resulted in the existing administrative and financial relations between the Government of India and its subordinate provincial governments to-day. The problem which faced Lord Mayo was primarily a purely financial problem, and yet the intimate relations between finance and administration necessarily postulated certain administrative changes as the correlatives of the financial changes which he proposed to make. In view of the ruinous state of India's finances at the beginning of his period of office, Lord Mayo had to give the provinces some incentive to practise economies and at the same time he had to devise some means of taking them into partnership

India : Constitutional and Political

with the Government of India so as to lift some of the burden of administration from the shoulders of the latter. In the circumstances of those days there could be no question of any such far-reaching changes in the general relations between the central government and the provinces as were made by the Act of 1919, and thus Lord Mayo viewed his problem as a purely practical measure of financial administrative reform. In the *Government of India Gazette* of December 14, 1870, the details of his scheme are published in the form of a government resolution. Briefly, the resolution distinguished two groups of services, one of which was to be administered by the central government and the other by the provinces. This second group included such services as police, education, local public works and sanitation, and their upkeep was provided for by an annual consolidated grant for each province—the grant being fixed, as a rule, for five years at a time. Only the most urgent necessity for economy could lead to any reduction in these grants, whilst any savings which were made as a result of economies accrued to the provincial government making the saving and did not lapse to the central treasury at the end of the year. The use of these savings was left to the discretion of the provincial government concerned. It would occupy far too much space to detail the steps by which the system above described changed into the system which was in force up to 1921, but its main outlines may be briefly sketched.

Lord Mayo's scheme conferred a certain degree of responsibility in the matter of expenditure upon the provinces, but did not touch the question of revenue. The provinces continued to collect revenue as agents of the central government until the end of the 'seventies, when the income from stamps, excise, law and justice, and a few other items was surrendered to the provinces under certain conditions. Further, instead of the fixed grants made to provincial governments, certain specified heads of revenue were made over to them in whole or in part. Thus began

Dyarchy and Provincial Contributions

the well-known system of "divided heads" which was one of the outstanding features of the financial relations between the Government of India and the provincial governments up to the time of the Montagu-Chelmsford reforms. Those heads of revenue were made over to the provincial governments which were believed to be the most capable of expansion under careful and prudent management. At each five-yearly settlement the terms were altered slightly, but in essentials the above remained the system of financial relations until the Act of 1919 altered the very basis of the conditions upon which it was founded. In 1904 the financial settlements between the Government of India and the provinces were made quasi-permanent, and in 1912 they were made absolutely permanent. Also in 1904 the provinces were given the right to retain their own savings, which up to then had been liable to be raided by the Government of India in the event of any overriding necessity.

The Montagu-Chelmsford reforms, as contemplated by the Government of India Act, 1919, altered the very basis of the relations between the central and provincial governments in this country. The achievement of responsible self-government for India by progressive stages and by the medium of dyarchy in the provinces gave the latter a status, a dignity and responsibilities higher than anything they had known before. The great division of functions between the central and provincial governments, which is one of the main facts of the reformed constitution, demanded a revision of the financial relations and the division of revenues between them. Certain additional powers of borrowing and taxation were given to the provinces and the system of "divided heads" was abolished. Henceforth the Government of India had its sources of revenue, of which the principal are income tax, customs and salt, whilst the provincial governments had their own heads of revenue, including the very important one of land revenue, which up till the time of the reforms had been a "divided

India : Constitutional and Political

head." But this division of revenue heads was overwhelmingly to the advantage of the provinces, and the Government of India was left with insufficient resources for the fulfilment of its responsibilities, the most important of which, of course, is defence. Thus it became necessary for the Government of India to claim something back from the provinces. The question of how this was to be done and what amount was to be restored by the provinces formed the subject of inquiry by a committee under the chairmanship of Lord Meston in 1920. After examining all possible alternative solutions, the Committee found that the most equitable in the circumstances was one which provided for the payment of annual contributions by the provinces to the Government of India on what was called the "windfall" basis—that is, they were to be fixed on the difference between the gross provincial revenue and the gross provincial expenditure. Prior to the reforms, the scale of expenditure had differed from province to province, as also, of course, had the amounts of revenue returned by them. The Committee, therefore, thought that it would be fairest for those provinces which gained most by the new allocation of revenues to pay the most to the central government. Naturally this arrangement had some drawbacks. A province which had been rigorously economical in past years now found itself liable to be penalised for its economy, since this made the difference between its expenditure and its newly gained revenue all the greater. In other words, its windfall was greater than it otherwise would have been. Other provinces, again, argued that in the past their just claims for the means to develop their communications and services had been inadequately met, that their scale of expenditure had been kept artificially and harmfully low, and that their "windfall" was necessary to them if they were to bring their administration abreast of that of more fortunate provinces. However, the "windfall" basis of settlement held its own, and it was on this that the provincial contributions were arranged according

Dyarchy and Provincial Contributions

to the scale of initial payments devised by the Meston Committee. Madras had to pay over six times as much as Bombay, and the United Provinces almost four times as much as Bengal, whilst both the Punjab and Burma had to pay much more than other provinces of undoubtedly greater wealth. The Committee also had to fix ideal or standard contributions to be made by the provinces until the deficit in the Government of India's finances should be abolished and the necessity for provincial contributions cease. These standard contributions redistributed to some extent the amount of burden imposed on each province by the initial contributions. Thus, Madras, which paid something over 35 per cent. of the total initial contributions, was to be relieved by stages until she reached her standard contribution of 17 per cent. ; Bengal, whose initial contribution represented 6·5 per cent. of the total, had to work up to 19 per cent. ; Bihar and Orissa, which paid nothing, had eventually to pay 10 per cent. of the total, and so on.

It is easy to imagine what a storm of indignation was aroused by these decisions, because for the first time the people of each province could see exactly how much they were contributing to the upkeep of the Government of India, whereas under the old system they were unable to know this. They knew that much necessary developmental work had been held up by the war, and they wanted increased expenditure on such beneficial services as education, public health, public works, and so on, and they saw their hopes frustrated by the necessity of giving a large part of their provincial income to the central government. Further, the rise in prices and the increased cost of living resulting from the war made necessary considerable increases in the pay of the provincial services—a circumstance which further reduced the resources available for the beneficial, or, as they are often called, the “nation-building” services. Thus dyarchy started with a very serious handicap, for on account of the necessary paucity of the resources placed at the disposal of the Ministers,

India : Constitutional and Political

and the inevitable increase in the expenditure on the reserved subjects, the dyarchic system could not confer immediately the benefits which had been confidently hoped from it, and thus it became suspect. An examination of the evidence given before the committee, which, under the chairmanship of Sir Alexander Muddiman, enquired during 1924 into the difficulties arising from the working of the Government of India Act, will show how deeply the financial stringency, which prevailed in the provinces during the first year of the reforms, prejudiced the work of the latter, and particularly the working of dyarchy. In fact, it is probably not too much to say that, until the financial stringency had been relieved, dyarchy could not be a complete success. When it is realised that Madras during the first years of the reforms had to pay something like 348 lakhs of rupees per annum to the central government in provincial contributions, whilst the United Provinces paid 240 lakhs and the Punjab 175 lakhs, the strength of the drag of these payments on the satisfactory and harmonious working of the provincial governments can be appreciated. One of the main objects which Sir Basil Blackett had before him when he came out to India at the beginning of 1923 was the abolition of provincial contributions. His task seemed a hopeless one. For some years India had had deficit budgets, and her debt of all sorts had steadily mounted.

The measures by which order was brought into Indian finances and deficit replaced by surplus budgets have been mentioned already in these pages.* In his speech introducing the budget for 1925-26, Sir Basil Blackett was able to announce a surplus of 3·24 crores† of rupees, of which he proposed to distribute the large sum of 2½ crores—that is, 25 millions of rupees—among the provinces in remission of their contributions to the Government of India. This remission, it should be explained, takes place

* See THE ROUND TABLE, No. 64, September 1926, pp. 787-791.

† A crore is ten millions.

Dyarchy and Provincial Contributions

according to rule, priority in relief being given to certain provinces. Thus, of the $2\frac{1}{2}$ crores, 126 lakhs* went to Madras, 61 lakhs to the Punjab, 56 lakhs to the United Provinces, and 7 lakhs to Burma. The next year, in his speech on the budget for 1926-27, Sir Basil Blackett announced that the Government of India proposed to apply a further 125 lakhs of recurrent surplus to the permanent reduction of provincial contributions. Under the rule the same four provinces were entitled to the whole of this relief, and accordingly the Madras contribution was further reduced by 75 lakhs, that of the United Provinces by 33 lakhs, that of the Punjab by 28 lakhs, and that of Burma again by 7 lakhs. By 1926, therefore, three years after he landed in India, Sir Basil Blackett had permanently reduced the total contributions payable by the provinces to the Government of India from 983 lakhs to 608 lakhs per annum.

But far better than this was to come, for on February 28, 1927, Sir Basil Blackett announced a surplus for the year 1927-28 of 3·64 crores of rupees—a surplus which he regarded as recurrent, and of which he proposed to use 3·5 crores for the remission of provincial contributions. For particular reasons it had been decided that the whole of Bombay's contribution should be remitted, and in order to avoid discriminating in favour of this one province, the Government of India proposed to utilise a portion of the current year's surplus to remitting temporarily all the provincial contributions of every province instead of applying it to debt redemption. The position now is that all but 1·95 crores of the provincial contributions have been permanently remitted, whilst the above-mentioned sum has been remitted for the year 1927-28 only. If circumstances are favourable next year, there is every reason to hope that this remaining amount will also be permanently remitted. However that may be, during the year 1927-28 no province will pay anything to the

* A lakh is a hundred thousand.

India : Constitutional and Political

Government of India in provincial contributions. Thus, the provinces at a stroke have been given an additional spending power of 5.45 crores—that is, 54½ million rupees during the current year. Well might Sir Basil Blackett, in concluding his budget speech, say :

What will 5.45 crores a year transfigured into goods and services available year by year in the hands of the provincial governments mean in the promotion of human happiness, in the prevention of preventable disease and ignorance, in the widening of the opportunities for a good life for many crores of the people of India !

So the remission of provincial contributions is seen to be something more than a change in the financial relations between the Government of India and the governments of the provinces. It is an event of immense significance in the lives and welfare of all India's citizens, and it may be a decisive event in the development of the Indian constitution.

II. CURRENT TOPICS

THERE is nothing of any particular importance to be said just now about the general political situation. The Delhi session of the Legislative Assembly is by now some distance away, and the annual meetings of the Indian National Congress, the Moslem League, the Liberal Federation and other bodies are still below the horizon. If there is any one lesson to be learnt from the hectic Delhi session, with its fierce fights over the Currency and Steel Protection Bills, it is that the wane of extremism in Indian politics—a process which we have discussed on previous occasions—still continues. Despite solid and well-organised opposition, the Government yet managed to find majorities for all its really important measures, and the Opposition itself was on the whole less violent than in any other session since January 1924—always excepting the

Current Topics

bitter opposition to the Currency Bill. It is impossible, of course, to predict that the Swaraj-Congress and Nationalist parties will in future sessions assume the rôle of a constitutional Opposition of the ordinary type; but, at any rate, there are reasons for hoping that this may happen.

When, however, we turn to one of the main conditions of present-day Indian politics—namely, the relations between the Hindus and Mahomedans—the outlook at once becomes less pleasant. It cannot be said that the tension has been relieved during the past few months. Since the Kulkathi tragedy of March 2, no other such ruinous clashes have occurred, but danger has been always present, and on more than one occasion has been averted only by timely and determined action by the authorities. The great Mahomedan ceremony of the *Mubarram* has come and gone within the past few days, and again, owing to the strenuous precautions of the district, police, and military authorities, its passage has been marred only in one or two places. The worst affair occurred in Multan, where on the last day of the ceremony an affray occurred resulting in the deaths of five persons belonging to both communities. It is well known, of course, that the basis of the present estrangement between Hindus and Mahomedans is more political than religious. The reforms of 1919 have led unavoidably to keen rivalry between the two communities for the possession of power, and it is not likely that this rivalry will diminish as time goes on. But the old fundamental religious antagonism has been recently painfully stressed by what is known as the “Rangila Rasul case.” The two words *Rangila Rasul* mean “debauched prophet,” and are the title of a pamphlet published by a Hindu in the Punjab just over two years ago containing certain passages about the Prophet Mahomet which wounded Mahomedan feelings. The author of the pamphlet was prosecuted under the appropriate section of the Penal Code and convicted by the Lower Court. His conviction was, how-

India : Constitutional and Political

ever, set aside on appeal to the Punjab High Court, whereupon the editor of a Lahore Mahomedan newspaper published certain criticisms of the High Court judgment which involved him in proceedings for contempt of court, and, ultimately, fine and imprisonment. At once a violent agitation broke out among the Mahomedans of Lahore, and for some days there was considerable danger of public disturbances. However, Sir Malcolm Hailey and Mr. Ogilvie, the District Magistrate of Lahore, handled the situation with tact and firmness, and the danger subsided so completely that the *Muharram* was celebrated in Lahore without a single incident. It would be idle, however, to suppose that this affair has not further embittered the relations between Hindus and Mahomedans all over India.

Whilst on this subject of Hindu-Moslem relations, it will be as well to give an account of certain attempts which have been made to come to an agreement between Hindus and Mahomedans on the subject of communal electorates. When the Morley-Minto reforms were introduced, the Government of India, on the strength of the unanimous demand of Indian Mahomedans, introduced the system of communal electorates—that is, a system whereby Mahomedans sent only Mahomedan representatives to the Councils and Hindus sent only Hindu representatives. This system had to be continued under the 1919 reforms owing to the strength of the Mahomedan feeling on the subject. The Hindus have never liked this system, but it obviously cannot be abolished unless Mahomedans agree. Some Indian politicians have seen in the system of communal electorates a bar to Hindu-Moslem friendship and have not ceased to agitate for its abolition. On March 20 some Mahomedan representatives in the Legislative Assembly and Council of State met in Delhi and a number of them agreed to the abolition of communal electorates and the institution of joint electorates under certain stringent conditions. A few days later a meeting of Hindu repre-

Current Topics

sentatives in the Legislature was held, and at this meeting it was decided in general terms that joint electorates were preferable to communal electorates, but opinion was unanimous against the acceptance of the conditions laid down by the Mahomedan meeting. Meetings of some provincial branches of the Moslem League held since March 20 have all condemned the proposals for joint electorates, and the Hindu *Mahasabha*, which is the representative body of Hindus all over India, has done the same. Later still the All-India Congress Committee—that is, the executive committee of the Swaraj party—accepted the Mahomedan proposals of March 20, but their acceptance did not meet with general approval. It now remains to be seen what line the Indian National Congress and the Moslem League will take next December. Last December the Moslem League pronounced against joint electorates.

Recently there has been a good deal of excitement in India over the report of the Special Tariff Board formed to consider the condition of the Indian cotton industry, and also over certain negotiations which have been carried on between the Government of India and the rulers of the Indian States in Kathiawar on India's north-western seaboard.

The Cotton Tariff Board's real task was to examine the case of the Bombay cotton industry, which has been in a bad way for some years. The Board found that it was not competition from Lancashire which was hurting Bombay, but competition from Japan and from the cotton mills outside Bombay. The majority of the Board, consisting of two distinguished Indians, recommended in aid of the industry a bounty on the finer counts produced, and also an increase in the tariff duties on imported cotton manufactures. The President of the Board, however, considered that the non-adherence of Japan to the international labour agreements gave her an unfair advantage, since by working women and young persons at night Japanese mills could run in double shifts. He, therefore,

India : Constitutional and Political

recommended a differential duty on all cotton manufactures imported from Japan. The Board were unanimous in condemning many features of the organisation of the cotton industry in Bombay, and pointed out that cotton mills elsewhere had been making profits, whilst Bombay had been steadily losing money. The Government of India was unable to agree to the proposals of the Board either for bounties or increased duties, believing that until Bombay set its own house in order these would be an unfair tax on the already heavily burdened consumer and taxpayer. The Government, therefore, proposed to help the industry by removing the duties on imported machinery, by assisting in the establishment of trade agents outside India and in other ways. Its decision aroused a storm of protest in Bombay, which is still continuing.

The question of the Kathiawar States is of the highest importance to the economic welfare of all India. Briefly, of late years commerce has been largely diverted from British Indian ports to ports in the Kathiawar States, to the great detriment of the Indian revenues from customs duties. Such figures as are available show beyond any doubt that the trade entering these ports is immensely greater than is required by the demands of the States themselves, and that consequently much of it is flooding into the rest of India without paying duty. Until 1917 the Indian Government maintained a land customs line between these States and the rest of India, but took it off in that year because practically the whole of the Kathiawar ports trade was coast-wise trade and the inevitable annoyance and delay arising from the administration of the customs line seemed to outweigh the benefits derived from it. It, however, expressly reserved the right to reimpose the line should the fiscal interests of India demand it. It argues, and in face of the relevant figures it is difficult to counter the argument, that the time has now come when in the interests of Indian revenues and Indian taxpayers the customs line should be reimposed. The Government of India made an

Current Topics

offer to the rulers of the States concerned to make them annual payments based on their past revenues from their ports and allowing also for reasonable development in the future. At a conference held at Mount Abu a few days ago these proposals were discussed by representatives of the rulers concerned, but the negotiations broke down chiefly owing to the opposition of Jamnagar, whose ruler, the Jam Sahib, was not satisfied with the terms. In certain organs of the Indian press an attempt has been made to show this incident as an example of high-handed dragging of certain small Indian States by the all-powerful Government of India. Actually, of course, the case is quite otherwise. The Indian Government had to consider its own fiscal interests, which are the interests of its subjects and ratepayers, which, it is quite obvious, would be ruinously affected if imports from overseas could be poured into India through the Kathiawar ports.

This article should not close without a reference to the departure from Simla of Sir Alexander Muddiman, the Home Member of the Government of India, who goes on leave this week prior to taking up the office of Governor of the United Provinces. Sir Alexander Muddiman has been Home Member through a very critical period in India's history, and his leadership of the Legislative Assembly has been one of the outstanding successes of the working of the reformed constitution.

India.

July 14, 1927.

GREAT BRITAIN : THE MINISTRY AND PUBLIC OPINION

I. LISTLESS POLITICS

THE acoustics of a political edifice are like those of other buildings erected by the hand of man. No one has yet divined or systematised the law that governs them. The best that politicians, like other architects, know about them is that they play mysterious tricks, and politicians may be trusted to differ in accounting for the strangest feature of the proceedings in the present session. They have no resonance. Parliament has lost its echo. Questions that should eddy through the constituencies in waves of controversial sound are muffled before they have begun to disturb the ether. The Parliamentary microphone works much as usual, but the transmission and reception are undeniably poor.

Within six months we have had three issues, at least, capable of provoking uproarious conflict in more piping times. The Trade Unions Bill, now an Act, the rupture with Russia, and a determined attempt to put reform of the House of Lords on its feet again should, each of them, have been sufficient to set more than the Thames on fire. True, the Government stood near the last with extinguisher ready. But the other two are commitments of policy and not to be withdrawn. Yet they have struck out no sparks threatening anything like a blaze. The candid Unionist, Liberal or Labourist will admit privately that his expectations are either unsatisfied or uncertain, and that where he has looked for enthusiasm or indignation he has not found it. By-election results are a fallible index to

Listless Politics

the deeper tides of opinion. So far as they go they show that the Government has lost a great deal of support, though not, perhaps, enough to disquiet it in its third year ; that Labour is just about holding its own ; and that Liberalism is progressing, but not with dramatic speed. Among the constituencies in which by-elections have been held, Brixton was probably the most representative in the small proportion of electors attracted to the poll. Some mass-response may be maturing, perhaps to disclose itself on a more serious occasion than that of a by-election. In the meantime we have an unusual position in which there is no demonstrable access of popularity to any party. What the public wants or does not want is not easily discoverable. Probably we should not miss the truth by much in saying that, for the present, it wants to see its way through the immediate economic difficulties, discussed elsewhere in this number, and that it does not want a general election. Statements that the Government was never stronger, that a reactionary Cabinet is playing into the hands of Labour, and that a dissatisfied country is casting in its lot with rejuvenated Liberalism are worth as much as propaganda is ever worth.

From the state of opinion it is natural to turn to the condition of the parties—three parties, representing between them at a given moment, say, seven-tenths of the electorate, and dependent for success upon the impression they can make upon the other three-tenths. The Unionist party at the general election secured a victory—which but for the accidents of the three-cornered system might yet have been a defeat—upon a broad programme that won the goodwill and votes of a great many voters well outside classification as Conservatives. The progressive temper of the policy counted for even more than its details and the temper was symbolised and summed up in Mr. Baldwin. His personality was the party's foremost asset. The early months of the new administration were faithful to its promise. Then came the first threat of the General Strike, staved off

Great Britain : The Ministry & Public Opinion

by a subsidy. The second threat was translated into action. Mr. Baldwin's policy of tolerance and goodwill was deemed to have broken down. After eight months of the coal dispute it was considered to have vanished. The Government that had defeated the General Strike occupied itself in preventing another, and incidentally gratified outraged feelings among its more orthodox supporters in various clauses of the Trade Unions Bill. The incident that led to a breach of relations with Russia was also welcome to them. The "expulsion of the Reds" was interpreted not merely as a diplomatic necessity but as a positive stroke of Conservative statesmanship. In all this there was little room for Mr. Baldwin's distinctive philosophy. The prime asset of the earlier months was ceasing to count. It was said in common talk that the Prime Minister now had little control of his own Cabinet. The new zeal over-reached itself in the Government proposals for the reform of the House of Lords which surprised the world not long before Parliament rose for the Summer Recess. The *Observer* called them "the diehards' debauch at last." Evidently the Prime Minister had little liking for them. That was clear between the lines of his own speech in the House of Commons. The section of the party nearest to his own mind recoiled in dismay from the new scheme. The tendency to the Right, which was, perhaps, a natural sequel to the General Strike, met its first check. Whether or not it has put Mr. Baldwin and his view of politics back into the saddle is a question that cannot be answered until he returns from Canada and Parliament re-assembles on November 8. The occasion gave *The Times* a text for an incisive leading article. Taking it as probable that the Prime Minister had not been unwilling to see some of his more impetuous colleagues learn a needed lesson, *The Times* asked :

Is it safe to dismiss the whole episode as marking the upward limit of a pendulum which has swung steadily from that other fiasco of the general strike ? Was the notion of reforming the House of Lords

Listless Politics

intended deliberately to be a single spectacular failure ? . . . For the moment the reform of the House of Lords becomes far less important to Mr. Baldwin than the reconstruction of the Government. There is more conclusive reason than ever, in fact, for . . . an overhauling of the whole *personnel* of his Government ; the withdrawal of Ministers who are either tired, or misfits, or palpably out of tune with the times ; the infusion of fresh blood into an organisation which is ceasing to work as a team . . . What really matters is that those about him (Mr. Baldwin) should be in full agreement with his general course of policy, which is always sound when it can be detected. . . . He has a golden chance, which will never recur, to pass his colleagues in review from mid-Atlantic.

The cables tell us that at Banff, on his Canadian tour, he was "invested with the feathers and other insignia of a chief of the Stoney Indians and hailed by the title of 'Chief Sitting Eagle.'" The Stoney Indians have a nice gift of characterisation. Yet Mr. Baldwin has the power, if not the temperament, for action. He is still the one man who, apart from his tenure of the Prime Minister's office, retains the loyalty of all sections of an inconveniently large and uncomfortably varied Parliamentary following. The formation of groups within the party has gone ahead in the present session. The most prominent of them are the business group, styled the "Forty Thieves" ; an economy group, organised to control impulses towards expenditure ; a progressive group commonly called the "Y.M.C.A." ; and another group which has just banded itself together to watch the progressives and to see that there is no sentimental yielding to "bastard socialism."

The General Strike was a disaster for everybody, but for none more than the Labour party. The full measure of the damage is now visible. The Strike has wasted its resources, injured its credit, and driven it back on the defensive. For the moment Labour has no hitting power. Its campaign against the Trade Unions Bill was a fiasco and a bitter disappointment to its organisers. But for the loyalty and the discipline which an organised class-movement commands, the setback would have been even

Great Britain : The Ministry & Public Opinion

more serious. It was in no condition to spare its leader, Mr. Ramsay MacDonald, who has been too ill to attend most of the recent sittings of the House. Labour has no one else at present to approach him in Parliamentary prestige and experience. When all the grumblers have had their say, Mr. MacDonald is the one leader who maintains his ascendancy throughout the party. But he has a wearing and thankless office and his health, unfortunately, has been heavily taxed. On its left flank Labour has formed an uncompromising front against Communists and Minority men. The resentment of direct action and its consequences among the rank-and-file has helped to drive home the distinction between the Parliamentary and the revolutionary method.

The small Parliamentary Liberal party is still the prey of embarrassing differences and capable, on critical issues, of almost infinite subdivision. But the main interests of the party lie elsewhere in preparing for a more adequate representation of the Liberal view in future Parliaments. It is busy outside with its machinery and its programme. The much-heralded "Liberal revival" has taken on a more convincing look. In Sir Herbert Samuel the party has a chief organiser of great industry and experience, acceptable to all factions, with a talent for lucid statement and powerful criticism on the platform. It has no lack of experts on the problems of the hour and it is employing them to lay the foundations of policy. In the autumn the committee which has been investigating the industrial question is to report. Sir Herbert Samuel intends to place five hundred candidates in the field at the next general election. The settled tactic of the party now is to formulate and fight upon a programme of its own independently, holding itself free to negotiate the terms of co-operation with Labour as opportunity offers or need dictates after an election has taken place. These activities would be impossible without money and their main source is the "Lloyd George Fund." If the fund helps, it hampers

The Session

too. The opponents of Liberalism in the Press do not cease to repeat Lord Rosebery's unanswered question as to the means by which the fund was accumulated during Mr. Lloyd George's leadership of the Coalition. It was somewhat ungracious in a part of the Liberal Press to retort on the fund which his friends and admirers in all parties have privately got together to relieve Lord Oxford of financial anxieties after a career unstintingly given to public affairs—an uncharitable extension of the dying party feud to a very considerate and magnanimous provision.

II. THE SESSION

THE Trade Unions Bill* is the only first-class measure that has been passed through all its stages and placed on the statute book since the House met for the new session. The Labour party began by announcing its determined opposition to the Bill before it had even been printed. When the Bill appeared Labour refused to take any responsibility for amending or improving it and fell back on obstruction. The Government replied with a timetable and the closure. Thereafter each clause was closely debated. Conservative complaints of the measure died away. A few amendments were moved with effect from the Ministerialist benches. The drafting was tightened and improved in the Lords as well as in the Commons and the way of transgression has been more clearly defined. But there has been no real change in its substance and structure.

Conservatives, especially those who were most insistent on the need for legislation, have justified the Act by its reception. The Labour campaign that was to have whipped the trade union world into political revolt astonished its promoters and every one else. It petered out in apathetic

* ROUND TABLE, No. 67, June 1927, pp. 566-575.

Great Britain: The Ministry & Public Opinion

and sparsely attended meetings. The agitation fell flat. Innumerable resolutions have, of course, been passed condemning it. But great unions like the National Union of Railwaymen and the Miners' Federation have flatly rejected proposals to resist it by strike action and are observing the law by amending their rules as the Act requires. The unions in which the Post Office and the Civil Service are organised have withdrawn their adhesion to the Trade Union Congress. How is this orderly and, from the insurgent point of view, tame acquiescence in the statute to be explained? Partly the revulsion from last year's experiences, with their demonstration of the barrenness and incompetence of militant policy, had been under-measured. Industrial war is discredited and Labour has not the means or the heart for it at present. Partly the reason is that Englishmen are not much disposed to excite themselves over a theoretical invasion of their rights. Everything depends on how the Act is administered. Once let experience confirm the argument that, for example, the intimidation clauses have placed unfair restrictions on the striker or that the provisions against a General Strike have invalidated a man's right to withhold his labour, after due notice given, in sympathetic support of another man's just battle, and the spark which all Labour eloquence has left only faintly glowing will become a conflagration overnight.

The Arcos Raid

The next essay of policy touched a point in public affairs where foreign and home interests are inseparably conjoined—Russia. Since the conclusion of the Trade Agreement of 1921 Russia had had a diplomatic representative in London and a trade delegation enjoying certain diplomatic privileges. The delegation was housed in the offices of the Russian State trading organisation registered under English company law and known by the abbreviated title of Arcos. Since 1921 successive British Governments, including Mr.

The Session

MacDonald's, have been in an almost continuous state of protest against the hostile propaganda either conducted by the Soviet through the Third International or by the Third International through the Soviet—they are in practice indistinguishable. Interference in British domestic affairs has been constant. The last general election was partly fought on the inept and dishonest attempts of the Third International to organise the Communist revolution in Britain. After the election and the defeat of the treaty which the Labour Government proposed to negotiate with the Soviet, Russian antagonism was redoubled. It reached its climax in China with the waging of nearly open war on British interests through the medium of the Chinese nationalist movement. During all this time the documentary evidence of Russian belligerency, on the home and foreign fronts, had been accumulating in the archives of the Home and Foreign Offices. There had been a natural reluctance to disturb the formal relations precariously subsisting. The ground taken unofficially in their defence was that a breach with Russia would be an unsettling event in Europe, and that the nominal relationship assured us more control and knowledge of Russian activities than we should have without it. There was also the consideration that trade with Russia was increasing. Even after the General Strike and during the coal dispute, when Russian intervention was flagrant, what was supposed to be the Foreign Office view prevailed. At the same time Ministers, including the Home Secretary, Sir William Joynson-Hicks, freely expressed their views of Russia on the platform.

It was through the Home Office eventually that the breach came. A leakage of official documents had been known of earlier in the year. On May 12 the police obtained a warrant under the Official Secrets Act to search the premises occupied by Arcos. Strong rooms were demolished and a thorough investigation made. The proceeds of the raid itself were not large and added little to the information already in the possession of the Foreign Office and subse-

Great Britain : The Ministry & Public Opinion

quently published. But the Government now determined to make an end of patience, to terminate the Trade Agreement in so far as it provided for diplomatic immunities, to expel the Russian Chargé d'Affaires and Trade Commissioner, and to recall the British representative from Moscow. It proposed to offer no obstacle to ordinary and legitimate trade.

The decision was greeted with enthusiasm by those whose sympathies, or antipathies, were expressed by the Home Secretary, Mr. Churchill and Lord Birkenhead, and with satisfaction by most Conservatives. Liberals were divided. Mr. Lloyd George spoke for the majority in admitting the force of the British charges, though he asked in what they varied from charges that could have been brought at any time, where the gain lay in abandoning the policy of vigilance and tolerance, especially now that the Russian campaign in China had come to wreck, and what other policy would replace it. Labour was caught in its usual dilemma, unwilling either to believe the Government's proofs or to protest the innocence of the Soviet. The upshot was that the Government obtained a handsome majority from the House of Commons.

A Seven Days' Sensation

The next sensation in a session painfully poor in diversions was furnished by the House of Lords. On June 20 Lord FitzAlan, Chief Unionist Whip in the days when he was Lord Edmund Talbot, introduced an innocent motion inviting the Lords to declare themselves ready to receive at the hands of the Government some reasonable project of limitation and reform. It was subsequently explained that the object of the motion, on which the Government had not been previously consulted, was purely to obtain the assent of the Peers to the further restriction of their hereditary privileges, implicit in any scheme of reform. The debate had not proceeded far when, to the surprise of those present and to the still

The Session

greater astonishment of the Unionist party in the House of Commons, including the whips, the Lord Chancellor intervened on the Government's behalf with definite proposals for a reconstituted Second Chamber. On the second day of the debate the House learnt from Lord Birkenhead that they were seriously intended and that the Government meant to found a Bill upon them and to pass it within the duration of the present Parliament.

The proposals were that the House of Lords should be reduced in number to 350 and should consist of peers of the blood royal, the lords spiritual, representatives elected by the hereditary peers from among their number, members nominated by the Crown on the advice of the Government of the day. The Parliament Act (which provides that a measure vetoed by the Lords shall become law if passed by the House of Commons three times within two years) was to stand, but not in future to apply to any measure altering the powers or the constitution of the House of Lords. The right of the Speaker to certify money Bills was to be withdrawn and transferred to a joint committee containing an equal number of members of both Houses.

The proposals have had a short life and the argument that surrounded them is not therefore of great concern here. It was pointed out on all sides that the hereditary principle, contracted and strengthened, would predominate in the reformed Second Chamber, while the veto of the Lords would be restored for its defence. Members of the House of Commons did not share the confidence of the Upper House as to the view which the modern electorate, twenty million strong, would take of this courageous re-assertion of hereditary privilege. A strong section of Unionists in the democratic chamber were in revolt at once. The Unionist Press was for the most part lukewarm or hostile. A debate in the Commons followed. The Prime Minister's apology for the proposals was not vigorous. By him and by other Ministers it was made clear that they were the merest sketch for possible legislation. The

Great Britain : The Ministry & Public Opinion

Labour party chose to wield a vote of censure for the occasion and so tided the Government through an awkward passage. The Government received its majority and the proposals are dead. Indeed, in a letter to *The Times*, Lord Birkenhead had already referred to them as the "late" proposals. The most that is now expected in the lifetime of the present Parliament in the way of Second Chamber reform is a measure entrusting the determination of money Bills to a joint committee of both Houses presided over by the Speaker.

A Heavy Programme

Parliament has adjourned. If pledges are to be fulfilled, it has a heavy programme ahead of it. Apart from some minor measures already well advanced, it must pass a new Insurance Act, a new Factories Act, a measure reforming the Poor Law and another enfranchising women at 21. It has also a difficult, delicate and, in this century, unfamiliar problem in the Alternative Prayer Book. The Church of England by large majorities in its councils has approved a form of optional variations from the existing book with the object of restoring order in its worship. The compromise, embodied in the Prayer Book measure, is to be presented to Parliament for acceptance or rejection. Under the Enabling Act, which gave the Church the power of initiating reform, it cannot be amended. A meeting of seventy or eighty members of the House of Commons, headed by the Home Secretary and the Solicitor-General, has resolved to contest its passage.

The Farmer's Grievance

One movement threatening the Unionist party at a vital point has had little opportunity in the period under review of making a Parliamentary impression, but has found its way into the Press. This is nothing less than a revolt among the farmers, the natural and traditional bulwark of conservatism—natural at all events in the days before it, too, had succumbed to the urban interest. Agriculture,

The Session

in England as in other parts of the world, is in grave distress. Its troubles began with the repeal of the Corn Production Act and the abrupt withdrawal of the subsidy. They have grown progressively worse. A great many farmers have been producing at a loss for some time. All the branches of English farming are affected, wheat, meat and milk. The coming quarter-day promises to be a day of disaster on a large number of farms. When Mr. Guinness, the Minister for Agriculture, told the public this summer that the farmer was holding his own, the indignation of the farming community broke bounds. The next event was a by-election in the mainly agricultural division of Westbury. It was a three-cornered contest for a seat originally won from the Liberals. The Conservative candidate defending it was a member of a very influential Wiltshire family and the local Liberal party was still afflicted with dissensions that had been overcome elsewhere. Even so the Conservatives barely retained the seat. In June Mr. Baldwin visited Cornwall and made a speech to an agricultural audience which consisted mainly of an account of what the Government had already done for farming and implied that there was little more to be done. The irritation grew and the critics became more severe. The National Farmers' Union has showered bitter reproaches on him for his faithlessness. Agriculture, they contend, comes within his election pledge to safeguard any industry of national importance suffering from unfair competition. Considering that the Government is no less solemnly pledged to put no tax on food, the construction favoured by the National Farmers' Union is difficult. Naturally the Government does not accept it. At the same time it cannot ignore discontents, well ventilated in the popular Press, that threaten it in its rural strongholds. Many of them have been Liberal before and might be again. In July the Prime Minister went down to Lincolnshire to attend another rural demonstration. There his speech took a constructive turn. He repeated his appeal to the

Great Britain : The Ministry & Public Opinion

farmers not to look to politics for help and so gave the National Farmers' Union further cause for offence, but he also announced that the Government was working out a long-term credit scheme for agriculture and would bring it before Parliament next year.

In spite of the tale of distress that comes, not only from agriculture, but from other basic industries—coal has still to be considered—the unemployment figure fell below the million in May to its lowest point since 1920. Housing has made a signal advance. In the last twelve-month period of computation more houses were built in England and Wales than were ever built in one year before. After provision is made for new houses to meet the growth of population and for replacements, the accumulated arrears are now being overtaken at the rate of 110,000 houses a year.

Among the Miners

The rise in unemployment since May is accounted for by the state of work in the coal-fields. Although coal prices have been drastically cut and wages, conformably, are down to the minimum in all the main districts except one, evidence is still awaited of that recovery which, as the mine-owners insist, is still only just round the corner. Unless there is some early improvement, there is reason to expect further troubles when the existing wage agreements terminate. The first is due to end in November. Moreover, there are losses to be made up, and they are accumulating. At its meeting at the end of July the Miners' Federation had no very cheerful prospect. It is no longer recognised by the employers and has no status in negotiations. Its funds and its membership are depleted. In Nottinghamshire it comprises less than a third of the men employed. Thanks to defections the Communist element has become disproportionately large and influential. It is all the more worthy of record that the Conference defeated every one of the proposals put before it by the minority movement. It re-affirmed its policy

The Session

of nationalisation, but under the guidance of its president, Mr. Herbert Smith, showed no quarter to any suggestion that it should desert constitutional courses. The Federation has a difficult time ahead of it. The efforts made to break the new non-political unions have failed. They are offering attractive terms of membership. They have the favour of the employers and access to funds for such things as pension schemes. There is always the risk that the moderates' desertion of the old unions will leave them to be captured by the extremists. This year the danger has been firmly countered.

London University: A Footnote

One event in the quarter is likely to stand when much else here recorded for its importance has perished utterly. London is still the metropolitan city of the Empire. What affects its prosperity affects every part of the Empire in some degree. What touches the fortunes of its University is of very direct Imperial interest. Every year the number of overseas students at the largest University in the British Isles tends to increase and, thanks to the extraordinary facilities for research presented by London institutions, is destined to increase. Yet, with all its advantages, the University has had no worthy centre, no fine group of buildings of which it might be said with pride, "that is the University." Seven years ago a site equal to these purposes was offered it in the heart of London, in Bloomsbury. The subsequent tale of controversy and frustration cannot and need not be told here. It ended in May with the acquisition of the site. What chiefly closed the doubts and difficulties and the transaction was a princely gift of £400,000 from the Rockefeller Foundation. Thus London University is launched upon its second century of existence doubly equipped as the emblem and the instrument of that intellectual co-operation which is the truest, most durable and most productive of all forms of common effort.

IRELAND : EVENTS IN THE FREE STATE

I. POLITICAL

ON Sunday, July 10, whilst walking alone along a quiet suburban road on his way to Mass near Booterstown, County Dublin, Mr. Kevin O'Higgins, Vice-President of the Free State Executive Council, Minister for Justice and Minister for External Affairs, was shot down by three assassins under circumstances of the most brutal and cowardly nature. He died a few hours afterwards. Writing under the immediate shadow and stress of this terrible crime it is difficult to maintain one's sense of perspective or to prevent one's self from giving way to a feeling of despair. One must go back to the Phoenix Park murders of 1882, when Lord Frederick Cavendish and Mr. Burke were brutally stabbed to death, for a parallel crime in our tragic history. Like Lincoln, Kevin O'Higgins at the moment of his death had brought his country through the horrors of civil war, he had established justice and order, and was turning to the future to build a State of which the foundations had been well and truly laid. Now this "steadfast and heroic figure," as Mr. Cosgrave justly called him, has been foully murdered, meeting his end with calm courage, and with his last breath forgiving his murderers. He was a strong man and as straight as he was strong. Still in the early thirties, the bitter experiences through which he had passed had left their marks on his face and character. It was he who piloted the Irish constitution through the Dail.

Political

In every delicate negotiation with England during the years since the Treaty he was our foremost spokesman, as firm as he was wise and far-seeing. As Minister for Justice he had the responsibility for creating a new police force, the Civic Guard, and a new judicial system. It was characteristic of the man that, with the embers of the civil war still glowing red throughout the country, he sent out the young Civic Guard without arms to police the countryside, and though there were at first many attacks upon them he refused to alter his decision. Now the experiment is fully justified. The Civic Guard have staked their lives, as he put it only the other day, "to maintain the people's peace and uphold the people's laws." Had he no other monument it would suffice. But indeed he was the principal builder of the Free State, and as he lay dying he was able to say with truth "We have done good work." His was the iron will that stood between us and anarchy. His was the austere devotion to duty which made him follow a course he deemed right to its logical end regardless of the consequences. Gifted with a wide political vision, he had little inclination or capacity for those tricks of compromise and evasion by which politicians of smaller calibre justify and maintain their existence. Almost his last words in the Dail, in the debate on the re-election of the Government, were a declaration that his party would go ahead with their own policy, not with the policy of any other person or any other party, until such time as a majority of the Dail thought fit to disagree with them. It was a fearless, undiplomatic declaration, eminently characteristic, and entirely right. Such a man does not suffer fools or rogues gladly, and his hatred of insincerity, coupled with his habit of speaking his mind without reserve and with a pointed wit, made him many enemies. His rather severe personal manner was really due to a temperamental shyness which hid a kind heart and a generous soul. The motives of his assassins are likely to remain as obscure as their identity, but there can be little doubt that his murder was planned and carried

Ireland : Events in the Free State

out by some perverted secret society and that it was inspired by both political and personal hatred. It is an unfortunate and evil fruit of a revolution promoted by secret societies that the societies remain after the revolution is accomplished. It is not pleasant to reflect that we do not know the secret liabilities of our political leaders. Mr. O'Higgins himself had publicly renounced his membership of the Irish Republican Brotherhood after the Treaty. Every political party has expressed its detestation of the deed. Even the so-called Republican Army, which is apparently independent of all political control, has repudiated responsibility, and Mr. De Valera has mustered up courage to state publicly that the assassination was murder and inexcusable from any standpoint. He adds truly that it is a crime that cuts right at the roots of representative government. All this is to the good, but it is idle to deny that the curse of Cain still rests heavily upon us, and although it should be obvious to the meanest intellect that political assassination has never yet deflected the will of a nation, it would be a sanguine person who would say with any certainty that we have yet forsaken such methods in Ireland.

There are, of course, men as brave as Kevin O'Higgins left to step into "the gap of danger" and complete his work, but it will be hard to find as keen and firm an intellect to guide our destiny. The fact that the assassins did not strike till after the general election and until it became obvious that the Government would need his counsel and strength to sustain it is clear proof of the sinister intentions behind the blow.

Writing before the election,* the writer ventured to suggest that there was little prospect of the Government having a majority in the new Dail, that no other party had the least likelihood of obtaining one, but that the swing of the pendulum would be away from violent policies and to the right rather than the left. These prophecies have been

* See THE ROUND TABLE, No. 67, June 1927, p. 579 *et seq.*

Political

fully justified by the event, as the following analysis of the result clearly shows :—

Parties.	Old Dail.	Nomina- tions.	New Dail.	Votes received.
Cumann na nGaedheal (Government)	58	96	46	314,684
Fianna Fail (Moderate Re- publican)	22	87	44	299,626
Labour	15	45	22	143,987
Independents	15	57	14	139,679
Farmers	14	38	11	109,114
National League	2	30	8	84,048
Sinn Fein (Extreme Repub- lican)	23	15	5	41,436
Independent Republican ..	1	2	2	9,215
Clann Eireann (People's Party)	2	8	0	5,567

(The Speaker, who is re-elected automatically, is not included in this table.)

A thing which was not foreseen was that Mr. De Valera would secure nearly the entire Republican vote and more of the other discontented voters than any other party. This was due to many reasons, but two, it is thought, predominated. In the first place, his party, Fianna Fail, which demanded the abolition of the oath of allegiance and stands for a diluted and undefined form of republicanism to be promoted by non-violent methods, was the only party to nominate sufficient candidates to form an alternative Government. This step was only made possible by Mr. De Valera's return from America almost on the eve of the election with a campaign fund which he had collected there and which is believed to have amounted to £30,000. Without this money Fianna Fail could never have nominated eighty-seven candidates or embarked upon the intensive propaganda campaign which it did in the daily press. A prominent feature of their election posters was the use of the statement "Fianna Fail will go in," which of course satisfied the average voter that Mr. De Valera intended to enter the Dail. How the money was collected in America

Ireland: Events in the Free State

may be gathered from the following passage in a letter lately received from a young Irishman of anti-Republican views who recently emigrated to America: "De Valera was in Pittsburgh a couple of weeks ago. He got a lot of money from the Irish here and was well received by a huge audience, who I fancy were not so much Republican as they were homesick. The real reason we went ourselves was to be in an Irish atmosphere." This exploitation of the Irish Americans' love for their homeland is as shameful as it is disastrous for Ireland, and it is to be feared that little has been done to bring home to them the truth about the Free State. As long as this policy of poisoning the wells is pursued without opposition in America and as long as Irish Americans can be persuaded to supply funds to our political beggars and their American parasites, so long will this condition of things continue. It cannot be too strongly condemned and it is time that it was counteracted by active propaganda on behalf of the Free State.

The second reason which operated strongly in favour of Mr. De Valera's party was the strong feeling against the Government. Many people voted for the Fianna Fail candidates believing that they would enter the Dail and put the Government out, and many others because they believed they would not enter the Dail and that therefore by so voting they could with impunity vent their spleen and chasten the Government without upsetting the *status quo*. The Government's record, as was expected, was its undoing. It has restored order and broken the reign of terror, reconstructed a devastated country, and begun the reorganisation of our national institutions, the development of our industries, and the reform of our crying abuses. But the doing of these things involved stern measures, new laws and new taxes. Whilst carrying on this task they received much criticism and little credit. The Dublin daily press, which for four years criticised fiercely, and often unfairly, nearly all their most important projects, suddenly turned round almost on the eve of the election and pro-

Political

ceeded to the other extreme of injudicious praise, evidently fearing that they had gone too far. But it was then too late to undo the evil done. The net result is that the Government party has lost twelve seats and has no longer a clear majority in the Dail, whilst the combined Republican parties have gained five. Labour has gained seven seats and Captain Redmond's National League six. The Farmers have lost three seats, the Independents one, whilst poor Professor Magennis and his Clann Eireann, or People's party, have sunk entirely between the Scylla of Mr. De Valera and the Charybdis of Miss MacSwiney. No one but a politician of his child-like innocence could expect Mr. De Valera to connive at the creation of a party which would provide a convenient *pied à terre* inside the Dail for recusant Republicans. Professor Arthur Clery, most gentle and naïve of extremists, was therefore selected to deal Professor Magennis the "unkindest cut of all" by displacing him from his seat in the National University. Perhaps the most remarkable and certainly the most eloquent result was the almost complete extinction of Sinn Fein, the extreme Republican party, who are reduced from twenty-three to five. Even their leader, the indomitable Miss Mary MacSwiney, was defeated in her native stronghold, Cork, and characteristically described her rejection as "an act of national apostacy." An analysis of the total vote shows that the constitutional vote was altogether 797,079, and the anti-Treaty vote 350,277, or a majority for the constitution of 446,802. There has been therefore little change in the relative strength of those who oppose and accept the Treaty of 1921, but the votes have been differently distributed between the different sections of these two main antagonists. The increase in the anti-Treaty vote is really a vote against the present Government rather than the Treaty. The success of Labour was well deserved and due not only to good organisation in the country but to the constructive record of the party in the Dail. The Farmers were badly shaken, and it is clear that they would have done

Ireland : Events in the Free State

infinitely better had they allied themselves to the Government, as was proposed and defeated before the election. Captain Redmond's party, the National League, also failed to make any serious impression on the country, nor did it deserve to do so, for it had neither *raison d'être* nor policy.

Many people are inclined to blame proportional representation for the indecisive results of the election, but this does not seem to be fair. It is true, of course, that large constituencies and long lists of candidates, many of them worthless nonentities, do not make for clear and decisive voting. On the other hand, if it be the ideal function of an electoral system to hold the mirror up to the mind of the electorate, and the system attains this end, it cannot be blamed if the mirror reveals the unpleasant truth that the electorate is not thinking intelligently and that it has allowed its emotion of dislike to overwhelm its commonsense. In fact, the results show that all parties obtained the seats to which their votes entitled them. It is well to remember also that the result under the single member system would have been probably far worse for the Government party, because it was in a minority in every constituency and might have suffered a crushing defeat with the loss of its leaders. Before the election the Government announced that if returned they proposed to alter the system of election to the Senate, which is at present elected by the whole country voting as one constituency, and also to examine the method of electing the Dail with a view to creating smaller and more compact constituencies and improving the present system of proportional representation. It may be doubted if any radical alteration in the method of electing the Dail will now be proposed.

After the election it was very doubtful for some time whether the Government would resume office, but finally they wisely and patriotically decided to do so. Under the constitution the President of the Executive Council is elected by the Dail and then nominates the Executive Council, or Cabinet, for the Dail's approval. It was

Political

abundantly clear that the other groups in the Dail would not agree either in principle or policy to form a government, and when the Dail met on June 23 Mr. Cosgrave was re-elected President of the Executive Council by 68 votes to 22, the Labour party alone opposing his election as a protest against the Government's unemployment policy. Before accepting office Mr. Cosgrave made it perfectly clear that he would only do so for the purpose of carrying out his programme, and that he had no intention of doing so in the mere capacity of a super-policeman to maintain law and order whilst allowing the country to drift along economically, nationally and internationally. He also pointed out that as long as the Treaty remains neither the Dail nor any other assembly can remove the obligation which it imposes of subscribing to the oath. The Irish people through their representatives could denounce the Treaty. They could not alter it except by agreement with Great Britain ratified by legislation on both sides, but until it was either denounced or altered the oath must remain because the international obligations of any country over-rode its internal laws. On the same day Mr. De Valera and his forty-four deputies presented themselves at the entrance of the Dail, refused to take the oath, and then departed amidst the clicking of cameras and the cheers of their supporters, who had been specially mustered in Dublin for the occasion. Apparently fearing that his followers might find it difficult to resist the lure of the salary paid to elected members of the Dail who have taken the oath, he was careful to bind them in advance by a declaration of policy, and later by a signed pledge that they would not take the oath. This, it may be emphasised, was after the election. It is difficult to say how long these restraints will continue to operate, and one Republican member, Mr. P. Belton, has already taken the oath and his seat, but for the present Mr. De Valera intends to launch a double-barrelled attack on the oath, one by proceedings in the law courts to test its validity,

Ireland : Events in the Free State

and the other by taking advantage of the provisions in the constitution which enable the people themselves to initiate proposals for legislation. By adopting these methods it will be observed that he definitely acknowledges the validity of the constitution which he is seeking to impugn. But it is late in the day to expect Mr. De Valera to act logically. He could, no doubt, easily secure the 75,000 signatures necessary to initiate the demand for a referendum, but the Government has forestalled his attack by introducing two Bills, one to require candidates for election to the Dail or Senate to make, before nomination, a declaration on oath of their intention to take their seats and to take the oath required by Article 17 of the constitution, to prescribe a time within which members of either House shall take the said oath after election, and to make provision for the seat becoming vacant in case they neglect to do so ; the other Bill amends the constitution by deleting the provisions relating to the initiation by the people of proposals for laws or constitutional amendments, and also confines the right of demanding the suspension of a Bill to members who have taken the oath. As Mr. De Valera has concentrated all his artillery on the oath he will find himself in a difficult position if these Bills are passed into law. However, having promised the credulous electors bread and work for all, no Land Commission annuities, no emigration and no partition of Ireland, he may welcome a reasonable excuse for not being called on to deliver the goods, and it is doubtful if the Government would not have been wiser under all the circumstances to leave him to his own devices. Their action is denounced as panic legislation and an attack on our political liberties, particularly as it is coupled with a Public Safety Bill to make further and more stringent provision for dealing with political crime. Moreover, it is difficult if not impossible to justify the provision which requires every candidate on nomination to declare on oath his intention to take the oath of allegiance, because this in effect prevents any Republican from

Political

becoming a candidate, and will only have the effect of driving the movement underground. It would be fairer and more effective if an elected member does not take his seat within a reasonable time to declare it vacant for the current Parliament.

The only changes in Mr. Cosgrave's new Cabinet are that Mr. Desmond Fitzgerald, formerly Minister for External Affairs, becomes Minister for Defence instead of Mr. Hughes, who was the only Minister defeated during the election, and General Richard Mulcahy becomes Minister for Local Government in place of Mr. Burke, who was the weakest member of the former Cabinet. Mr. O'Higgins took over the important office of Minister for External Affairs, in addition to that of Minister for Justice, his former post. No better selection could have been made for this important position, and in his new capacity he was present at the Naval Disarmament Conference in Geneva as Irish representative only a few days before his murder. For the moment Mr. Cosgrave has temporarily taken over these two portfolios, and it will be difficult to fill them permanently. Mr. Blythe, Minister for Finance, succeeds Mr. O'Higgins as Vice-President of the Executive Council.

The personnel of the new Dail is undoubtedly an improvement on that of the old. Amongst the outstanding new members may be mentioned Mr. Hugh A. Law, a former member of the Irish Parliamentary party and a clever speaker and writer; Mr. Martin McDonogh, one of the largest employers of labour in Galway, who has had wide experience of local government and was a member of the Irish Convention in 1917; and Mr. James FitzGerald Kenny, K.C., a prominent barrister and landed proprietor. All these are members of the Government party. Amongst the other parties' new recruits of prominence are Mr. Vincent Rice, K.C., a leading barrister who has joined Captain Redmond's party, but who has properly refused to play a blind game of "follow my leader," and has voted

Ireland : Events in the Free State

with the Government on the election of Ministers and the army estimates; Mr. David L. O'Gorman, of the Farmers' party, formerly Chairman of the Cork County Council and an outspoken critic of the Government's financial and tariff policy; and Mr. Jasper T. Wolfe, one of our leading country solicitors and a shrewd critic of men and things. But, whatever may be its personnel, the new Dail will find it difficult to emulate the legislative record of the old, which during its term of four years sat for 352 days and passed 183 Acts, many of them of far-reaching importance.

If the Government exercises ordinary discretion it should not be in any immediate danger, and even without any formal alliance with another party it is quite possible that it will run its full term. On most controversial questions it will be able to command effective support from one of the other major parties in the Dail, and most of the Independents are likely to give it fairly constant assistance. It will be an interesting experiment in minority government, and not the only one in Europe. Modern conditions of government and the tendency to multiplication of parties will make such experiments increasingly necessary.

The assassination of Mr. O'Higgins has rallied moderate opinion to the side of the Government. The instinct of national brotherhood and common citizenship has asserted itself in this tragic hour. The nation has begun to examine its conscience and to realise that we must cast aside the apathy which tolerated crime and the cowardice which invited outrage. Murder stands before us at last for the demon that it is, naked and horrible. It has struck down the man whose clear vision and unbending purpose are for the moment irreplaceable. At last we realise the bitter truth that it was too soon to divide our national purpose and energies amongst a number of small and impotent parties. If we are to complete the work that Kevin O'Higgins began there must be an *union sacrée* amongst all those who desire to prevent Ireland being cast back into the melting pot of chaos and disorder. It is a

Economic and General

moment fraught with tremendous import to the nation, and we must face the future with hope, determination and courage rather than despair. We must realise also that no country has come through a revolution and civil war such as ours without a bitter aftermath and that we cannot hope to escape.

II. ECONOMIC AND GENERAL

A REPRESENTATIVE delegation from the Free State attended the World Economic Conference at Geneva and stated our attitude towards the problems under discussion. Our position, which they outlined, is briefly as follows. The productive activities of the Free State are about eighty per cent. agricultural. We carry on a large export trade in live stock, food, agricultural and other raw materials, and import a very high percentage of the manufactured goods we consume. It follows that anything which adversely affects agriculture reacts with special severity on our internal economic conditions, and the fall in agricultural prices, primarily due to deflation, has hit us severely. But for the savings made by our people during the last fifty years and the transient prosperity of the war period, the situation would be far worse than it is at present. Although our currency is at parity with gold, neither agricultural nor other prices are stable. Our delegates pointed out that the Irish Free State had adopted a policy of extreme commercial generosity, that most favoured nation treatment obtains, that no export duties are in force, and that the only import prohibitions and restrictions have been imposed on sanitary and not on economic grounds. The customs tariff contains relatively few items. There is the fullest free trade in shipping and railway transport and equal treatment for all traffic irrespective of origin. The Irish delegates agreed

Ireland : Events in the Free State

with the views expressed by the Australian delegate, Sir Douglas Gordon, who said :

While seeking the path of economic reconstruction this conference should recognise the wisdom and necessity for younger countries being left to work out their own destinies along lines which seem to them best suited to their present stage of economic development.

They also pleaded that countries which had not imposed excessive tariffs should not be placed in the same category or asked to observe a similar attitude to new tariffs as countries already fully committed to a tariff policy. On the whole it may be said that the Free State representatives showed some reluctance to identify themselves with the anti-tariff policy, which, it must be confessed, was based rather on pious hopes than on practical politics. In such matters most countries seem to wait for the other fellow to begin, and we are not likely to prove an exception.

The trade and shipping statistics for 1926 do not give much cause for rejoicing. Our imports fell from £68,890,000 in 1924 to £61,286,000 in 1926, exports from £50,281,000 in 1924 to £41,185,000 in 1926, re-exports from £1,304,000 to £771,000; but the adverse balance increased from £17,306,000 in 1924 to £19,329,000 in 1926. The volume of exports in 1926 was the lowest for many years. The Irish Free State has a smaller population than Denmark, over 50 per cent. more cultivable land, but ploughs only a little over a third of the area ploughed in Denmark. In 1925 Denmark had in the principal articles of agricultural production a net export per thousand acres of cultivable land of £7,395 as compared with £2,055 for the Irish Free State, but had to import per thousand acres £2,456 of the same products as compared with £828 imported by the Free State. The Free State has a much larger number of cattle and sheep per hundred persons than any of the European countries and more than Canada and the United States, but much less

Economic and General

than Argentina, Australia and New Zealand. The supply of pigs, though far less than in Denmark, is greater than in any of the other European countries except Germany and greater than in Argentina and in Australia, but less than in Canada, in the United States and in New Zealand. The number of milch cows per hundred persons is somewhat less than in Denmark, but much greater than in any of the other European countries and in the United States. In considering, however, surplus supplies of butter and other milk derivatives, the yield of milk per cow is as important as the number of milch cows. The yield per cow in the Free State is low, and, accordingly, the great exports of butter from the Free State are in reality small as compared to the dairy herd or as compared with the great exports of live cattle. An examination of the statistics of other countries shows that there is no live stock trade between any two countries in the world which approaches the dimensions of that between the Irish Free State and Great Britain and Northern Ireland. The Free State ranks fourth as a purchaser of British produce and manufactures, while it is twelfth as a supplier of goods to Great Britain and Northern Ireland. In 1926 the United States purchased goods valued at £47,941,000 compared with £34,764,000's worth purchased by the Free State. Denmark bought only £8,714,000's worth, although she sold to Great Britain goods valued at £47,957,000. Per person the Free State sold goods valued at £13 15s. to Great Britain and Northern Ireland. This is below the figure for New Zealand and Denmark, but greater than that for Australia, Argentina, Canada (its rivals in food supplies), and all other countries. As regards purchases from Great Britain and Northern Ireland, the Free State per person came second only to New Zealand, buying per person goods valued at £11 14s. from Great Britain and Northern Ireland. Australia came third and other countries far behind. Between 1924 and 1925, and again between 1925 and 1926, imports to the Free State from Great

Ireland : Events in the Free State

Britain and Northern Ireland decreased by about 9 per cent. Exports to Great Britain and Northern Ireland decreased from 1924 to 1925 by 14·5 per cent., and from 1925 to 1926 by 5·6 per cent. On the other hand, the exports to other countries increased in each of these periods. As regards the adverse balance of trade per head of population, only two countries—Great Britain and the Netherlands—had a larger adverse balance than the Irish Free State, and Switzerland's was not much less.

These figures are worth studying because they prove conclusively the economic interdependence of Ireland and England and how much each country can help the other. They bring us face to face with realities.

The writer had an opportunity recently of seeing the Shannon Water Power works from their start at O'Brien's Bridge on the Shannon, where a coffer dam is being erected to build the intake dam, and then along the line of the canal through Clonlara to Ardnacrusha, a few miles from Limerick, where the power house and outfall are being constructed. Already the work is far advanced and the canal cutting is clearly discernible. Some three thousand men are employed. It is expected that the scheme will be in operation within two years. It is strange to see such enormous engineering works proceeding amidst the peace and quiet of a typical Irish country landscape, and there can be little doubt that whatever may be the immediate financial and industrial results the psychological effect of this great enterprise has been tremendous. No other factor has so impressed foreign observers or brought home more forcibly the fact that we have settled down to stable conditions and peaceful development. But such enterprises will be fruitless unless we have a sound educational system behind them, and this the Government policy is endeavouring to create. Under the old régime our educational machinery was entirely unco-ordinated. Primary, secondary, and technical education were all independent of each other. All these are now under the

Economic and General

control of the Ministry of Education, and a policy at once democratic, practical and national has been evolved for their future development. Formerly most children left school about twelve ; now attendance is compulsory from six to fourteen, and the Minister has power to make attendance at post-primary courses compulsory up to sixteen. The old system did not provide post-primary education for the children of the poor. The new system when fully operative will do so. Moreover, the education in primary schools is being made more practical, and rural science has become a compulsory subject in all schools where the teacher is competent to teach the same. In 1921 it was taught in 100 schools. This year it is compulsory in over two thousand schools. In the past, although agriculture is our principal and basic industry, our farming community was absolutely uneducated and unprepared for their vocation. In the world markets they had no chance of holding their own against countries like Denmark, where the whole educational system is directed to national needs. Our system of secondary education has also been completely reformed, the schools have been given more freedom to develop their own methods of teaching, and are assisted by a modern system of grants in aid. The course of study has been spread over a definite number of years, and includes the practical teaching of agriculture. Two faculties of higher agricultural education have been established in the National University, one in Dublin, the other in Cork. A Commission, which includes experts from Sweden and Switzerland, has been set up to inquire into the problems of industrial and commercial training. When it reports, the complete co-ordination of primary, secondary and technical education can be carried out. In addition it is proposed to spend in the near future almost one million pounds in reconditioning and improving the primary school accommodation and equipment. All these developments are bound to react favourably on the mental and material life of our people,

Ireland : Events in the Free State

and let us hope they will also operate to create that firm moral character without which no nation can prosper and which it should be the first aim of education to supply.

The Irish Free State.

August 1927.

POSTSCRIPT

Since this article was written, the Fianna Fail party have taken the oath and entered the Dail. This step involves a complete reversal of their former pledges and policy, and creates an entirely new political situation. In justification of their conduct, the party claim that the oath is "an empty political formula." After their entry a vote of no confidence was moved by Mr. T. Johnson, the leader of the Labour party, and supported by Captain Redmond, of the National League. The motion was expected to be carried by a single vote, but one of the National League members, a Mr. Jinks, left the House to avoid voting, and the actual result was a tie.

FOR.				AGAINST.			
Labour	..	..	21	Cumann na nGaedheal	..	..	45
Fianna Fail	..	..	43	Independents	..	..	14
National League	..	..	6	Farmers	..	..	11
Independent	..	..	1	Non-party	..	..	1
<hr/>				<hr/>			
71				71			

The Speaker gave his casting vote for the Government and the motion was defeated. The House then adjourned till October 11. Besides Mr. Jinks, there was another absentee, a Labour member, who is not expected back from Canada for some weeks. There are a couple of by-elections pending in Dublin.

CANADA

I. A SURVEY OF THE ECONOMIC SITUATION

IN spite of greatly increased public burdens, and much higher taxes, Canada, so far as individual wealth is concerned, is far richer than at any previous time in her history. The vast transfer of money from the Government to the public occasioned by war expenditure, the powerful stimulus which patriotic enthusiasm gave to productive activity, besides providing a great capital sum—no less than \$2,000,000,000—the money cost of the war, resulted in a further accession of ascertainable wealth of an equal, if not greater amount. This statement can be verified in some cases by exact figures and in others by fairly correct estimates. For example, the Finance Minister recently stated that 80 per cent., or about two thousand million dollars, of the total debt of the Dominion, which, exclusive of provincial and municipal indebtedness, amounts to about \$2,400,000,000, is held in Canada. In the period between 1915 and 1926 the increase in Savings Bank deposits was over \$600,000,000, and in the same period Canadians purchased some \$425,000,000 of their own municipal securities, a form of investment practically unknown before the war. The expenditure on motor cars was about \$600,000,000, and some \$200,000,000 of Canadian securities abroad were repurchased by Canadians. Insurance figures for the same period are equally impressive. In 1914 the total amount of life insurance in force in Canada was \$1,242,000,000, and in 1926 \$4,610,000,000.

Canada

Over and above these signs of increased wealth a large amount was added to industrial capital from profits. The total is very difficult to estimate, but it can hardly have been less than \$500,000,000. Loans on mortgage were also obtained from Canadian sources on a scale hitherto unknown.

It should be emphasised at this point that these results were by no means the outcome of any widespread "war profiteering." Canada, of course, was not entirely free from the activities of the profiteer, but he played only a small part in the accession of energy and skill that gave to this time its special economic significance.

It is interesting to note that most of this financial progress had already been achieved in 1921, when a drastic decline in prices had united with various minor causes to induce a pessimistic mood, and recovery from this frame of mind has not been rapid. It has, however, been steady, and as readjustment has been associated with some fundamental changes in the financial and economic structure, it may be worth while to examine the situation as it appears to-day, and to suggest some comparisons with the year 1904, when, as now, there was a kind of rediscovery of the economic possibilities of the country.

The year 1900 opened in an atmosphere of optimism. The Liberal party, then in power, which had for years shown a critical attitude towards the risks of railway expansion, seemed to have taken the banner of progress from Conservative hands and to have itself acquired unbounded faith in the magic of those vast plans of railway construction which were already in active operation by 1904. It was a common saying that the twentieth was to be Canada's century. It was to be a new era, the beginning of a rapid increase in population—thirty or forty millions in a few years—and the country was to attain a new and powerful economic position in the North American continent. Immigrants did come in considerable numbers, and some real progress was made in the settlement of the West ;

Survey of the Economic Situation

but as construction approached completion in the years 1911-12, employment diminished and optimism faded. Then came the war, which both closed the period and went far to conceal its failures. In truth the activities of these few years, from 1900 to 1914, were not the beginning but the end of a great epoch.

Thus in examining this stage of Canadian economic history it should always be remembered that its activities were in many respects an end and not a beginning. The limits of a period have a way of eluding the boundaries of the conventional century, and most people will agree that the nineteenth century really began with the end of one great war and ended with the beginning of another. The particular characteristics of that century, which, in so far as Canada is concerned, found their final expression in the twelve or fourteen years before the war, were two in number: (1) mobility of population and (2) the unquestioned predominance of the London money market, and the special interest that it took in the construction of transportation facilities. Of the enormous sums invested by the British people in foreign countries a very large proportion was spent on docks and railways. This was the natural outcome of their own requirements in the way of foodstuffs and raw materials which had arisen with the growth of big congested industrial districts. This great railway-building age ended abruptly in 1914, and it may probably be said that so far as the North American continent is concerned it can never be repeated. The great transcontinental railways are finished, and what remains is the mere addition of branch lines and the improvement of existing ones. During this outbreak of railway building in Canada it is estimated that some three million immigrants entered the country. Naturally under the stimulus of all this activity great hopes were entertained of an extraordinarily rapid development of population. In all her previous history mass migration had never before reached Canada. The Mississippi valley had invited an immense

Canada

stream, and when that particular movement was already subsiding, as a result of the failure of the supply alike of immigrants and of vacant land, a new lure in the shape of a vast industrial development in the United States brought in many more people. Railway building for a time provided a similar magnet in Canada. Settlers along the new lines that were being constructed found employment for their spare time on the railway, and this possibility had an immense bearing on the speed with which certain sections of the West were settled at that time. But as these roads neared completion the position changed, and by the year 1912, when the price of wheat at the same time had a serious fall, many promising settlers found their way southward, and the year 1913 closed with widespread unemployment and general pessimism.

But in the meantime 18,000 miles had been added to Canada's railway system, not entirely wisely as it would seem, and certainly, for the time being at least, in serious excess of her needs. It must be remembered, however, that the geographical structure of the country necessitates the building of railways in advance of settlement, and this inevitably produces recurrent periods when the railway mileage is too great and solid prosperity has to wait for a fresh growth of population to catch up with the machinery that has been provided.

It may be, and probably is, true that the distribution of the new railways was in detail unscientific, but at the same time the general plan was founded on a perfectly sound principle, that the area of settlement across the prairies should be widened. But the expense was, of course, very great; and, apart from what the Government itself spent on the construction of the Transcontinental Railway, the borrowing during that period for railways alone was considerably over \$500,000,000, all of which was borrowed in the London market. Also there was at the same time an inevitable but seriously excessive expenditure on municipal development in the West, and when the crisis of

Survey of the Economic Situation

1913 arrived many of these municipalities found themselves in an exceedingly embarrassing situation, with a diminished population and a heavy debt. But they stood their ground with courage, and on the whole they have no reason to be ashamed of the way in which they emerged from a most difficult period.

Just as the railway-building age is over, so also have we seen the close of the great nineteenth century period of mass migration. Certainly this is true in so far as the British Isles are concerned. In that case there are new obstacles at both ends. With a higher or, at all events, a more expensive standard of living, with the dole and old age pensions, there has appeared an apparent unwillingness on the part of British people to accept the risks of emigration as they did in the past. So far as the United States is concerned there is now, of course, a strict limit to the number that will be admitted each year, and in Canada industrial opportunity, which, under the new conditions, is the one most sought after, is limited. Agricultural occupation, too, partly no doubt because of the severe climate of the West, seems to offer less and less temptation to British immigrants.

So far as the London money market is concerned, immediately after the opening of the war it became impossible for it to supply loans to Canada, and the state of the exchanges prohibited it long after the close of the war. In the meantime monetary conditions in Canada had changed, and the enormous wealth that the war had poured into the lap of New York created there a power of foreign lending which was more than enough to supply the needs of its northern neighbour. An important element in this change of financial orientation in Canada was undoubtedly the effect on the New York market of the establishment of the Federal Reserve Bank. Before this event the New York money market was neither stable enough nor highly organised enough to offer all the facilities of a fully developed money market. All this has been changed. Panics such

Canada

as that of 1907 are believed to be no longer possible, and contiguity, combined with intimate knowledge of Canadian conditions, has brought about an increasing willingness to provide Canada with all the money she requires at favourable rates of interest. The total investment of United States funds in Canada amounts at the moment probably to between \$3,000,000,000 and \$4,000,000,000, and the process of investment is still continuing with unabated activity.

But to go back to our narrative. In the meantime the war had come in 1914, and the mistakes and excesses of the period that had just ended were for the moment forgotten. Canada took an active share in the production of war material of all kinds, and that the profits were great is evidenced by the capacity of the Canadian public to absorb the large war loans, amounting to over \$2,000,000,000, that were issued by the Canadian Government. As has already been shown by the figures, the result was enrichment. The war period of high prices, large production and satisfactory profits continued up to 1920. At the end of that year came a collapse in prices, and once more, in 1921, Canada was faced with unemployment and a halt in her activities. Once more, too, a pessimistic spirit took possession of the country.

But there was an important difference between the situation in 1921, when the wheels of progress seemed to have stopped for a time and Canada found herself faced by a serious crisis, and the one in 1913. In 1921 the individual wealth of the country had been greatly increased. The figures quoted at the beginning of this article are applicable in a slightly modified sense to that year, and there was no lack of money. In reality, if it had only been recognised at the time, the year 1921 simply marked, as it were, a change of wind. The country was in fact starting off again on a new tack. High prices and the high rate of taxes tended to intimidate investors and to limit speculation. The public had developed a demand for its own bonds.

Survey of the Economic Situation

But the investment of money in new enterprises was hesitating and slow. At this point, too, there was also the difficulty of the railway situation inherited from pre-war days. The operation of the railways, the Grand Trunk, the Grand Trunk Pacific, the Transcontinental, the Canadian Northern and Intercolonial, now fell into the hands of the Government, and the responsibility devolved upon the country of carrying what seemed an intolerable burden. Population was not increasing with any marked rapidity, and the railways, apart from mere numbers, had to depend on increased activity for their success. With commercial movements decidedly dull the outlook did not appear promising, and for several years a heavy shortage of earnings in respect of operating expenses had to be paid for by the country. But new impulses were already making themselves felt. By 1926 the position of the railways had been almost reversed, and they began to show a substantial surplus of earnings over operating expenses. In truth a great change had come to the whole basis of the country's business. One of the phenomena of the war period had been the change from a heavy annual surplus of imports amounting in the year 1913, for example, to \$300,000,000, to a surplus of exports of about \$400,000,000 for the year ending March 1926. This was, of course, not all favourable, by reason of the fact that part of it arose from a temporarily decreased buying power. But on the whole it was healthy and fortunate. The enormous development of water power and its application on a large scale to the production of wood pulp and paper, bringing Canada to the head of the list of exporters of those commodities; the great development in gold mining, which in the year 1926 produced some \$35,000,000 worth of gold; and the very important exporting activities of the Canadian manufacturers, together with a steadily increasing export of wheat at good prices—these factors turned the scale.

Space does not permit of a detailed account of the change of basis and outlook in the five years which passed between

Canada

1921 and 1926. But the main outline can be set down, and some new tendencies suggested. In 1921 two chief anxieties weighed heavily on men's minds—the problem involved in the responsibility for some 22,000 miles of railway that showed a heavy loss on operating expenses, and a general sense of disquietude at the dimensions of the public debt, Dominion, provincial and municipal. It had come home to people that the alluring activities of the 1904–1912 period formed no valid precedent for future developments, but that these had themselves a limited objective which had been overrun, with reactions in the way of discomfort and embarrassment that the war helped the country to forget. Also the vision of a vast accession of population and an industrial growth rivalling that of the United States ceased to be convincing. What then remained? This mood, in which exhaustion, fear and a kind of paralysis of retrospection, all played a part, could only be temporary in a people richer than they realised, and with new sources of wealth even then in process of exploitation. And so it was.

The derelict railways were skilfully combined into an organised unit, and from an operating deficit of over \$30,000,000 in 1920 their record for 1926 will show an operating surplus of \$45,000,000. This result is all the more significant in that during the same period the Canadian Pacific Railway made satisfactory progress.

In these years no important addition was made to the population of the country, so that this hopeful change in the situation of the 22,000 miles of government railways can be attributed to skilful organisation and to a surprising growth of per capita activity. Before considering the nature of the new activities by means of which Canada now pays her way in the world, reference should be made to important changes in the credit organisation of the country, and some explanation given of the rapid growth of the provincial and municipal debt.

The largest number of banks operating at any one time

Survey of the Economic Situation

in Canada under the Canadian Banking Act was 41. There are now 11. The process by which the number of Canadian banks was diminished from its highest number to the eleven which at present constitute the banking system of the country consisted of a series of absorptions. From 1903 onwards some thirty-four banks have been absorbed. There has been only one failure since 1914. Branches of these banks in Canada reached their highest number in 1924, when there were over 4,000. The figures for 1926 were 3,770. In addition, there are 195 branches in Great Britain and foreign countries. Of these a large number are in the West Indies and South America. Thus something of an international character has been given to the Canadian banking system.

The total assets of the banks in 1868 were \$79,850,000. The total assets on December 31, 1926, were \$2,864,000,000. There are some significant features in the figures for the years 1920 to 1926. The amount shown in the Bank Statements under the heading of "Current Loans" is an important indication of the state of industrial and commercial activity, and these particular figures show a steady decline from 1920 to 1925. During this period the banks found it necessary to invest larger and larger sums in bonds, call loans and other forms of temporary investments. But from 1925 to 1926 current loans showed a promising increase. This appeared to mean that for a time at least there was some disinclination in Canada to embark upon fresh enterprises, but the turn seemed to come in 1925, when a community, anxious to invest such money as it possessed in bonds, changed into one ready and willing to invest in promising home industries. This tendency showed itself in various directions.

At the present time the general situation is one of strength and liquidity. It cannot be said that inflation as regards paper money was ever alarming in Canada, even during the war, and what there was of it has largely disappeared. In 1925 when she returned to a gold

Canada

basis the gold reserves as against notes issued by the Dominion Government were 56 per cent. and are now 54 per cent. Ever since 1817, when the Bank of Montreal was founded, the banks have played an important, even a predominant, part in the development of the country. As the years have gone by new problems have arisen, but these problems have been met, and there have from time to time been modifications in the Act under which the banks operate, all in the direction of a more satisfactory service to the public. In the last few years the question of loans to farmers has been much to the fore. It is a difficult problem and probably not yet finally solved, but it is important only in those parts of the country where agriculture has become more or less commercialised, and this is not the case to any considerable extent in any of the provinces east of Lake Superior.

There has in the last few years been a striking development of financial specialisation. Many functions of finance that were formally either unprovided for or performed under difficulties by the banks have now been taken over by a complex of financial institutions. The latest development is perhaps the creation of investment trust companies. In short, the financial machinery of Canadian industry and commerce is now in a sound and satisfactory condition. The budget of the Dominion Government last March showed a surplus and a moderate decrease in net debt. The Finance Minister in consequence felt himself able to make some diminution in the income tax which was generally welcomed. There has been a striking increase in the debts of both the provinces and the municipalities, and the per capita indebtedness of the Dominion of Canada for Dominion, provincial and municipal liabilities—over \$450 a head—seems large. But it appears to be carried with ease, and much of it, especially for the Province of Ontario, has been for money invested in public utilities. For this reason the debt of Ontario shows a much larger increase than that of Quebec, where private ownership

Survey of the Economic Situation

remains supreme. The principal investment of this character in Ontario is, of course, for electric power, and it represents a provincial enterprise that is fully self-supporting. The large and growing figures for municipal debts, too, are an indication, in most cases, not of extravagance but of insistence upon a high standard of comfort. Vast sums in all the provinces have been spent on the erection of new and commodious school buildings and on the improvement of the public highways. There has been a striking freedom from default in the payment of interest and principal for the funded obligations of the municipal corporations, and the provinces have, of course, long been regarded as beyond peradventure.

In considering the problems of Canadian finance, commerce and industry, it must be remembered that a large proportion of the sums invested in improvements and developments has been borrowed abroad, and the annual interest that must be provided for foreign indebtedness is very large. The exact amount is extremely difficult to estimate, but most people would probably admit that it is in the neighbourhood of \$300,000,000 per annum.

This requirement makes the international trade position of the country very important as this large sum has, of course, either to be paid in goods or covered by new loans. The immense surplus of exports for the year ending March 31, 1926, has not been repeated, and the surplus for the last twelve months is well under \$300,000,000. It is probably natural in the case of a country situated as Canada is, with constant needs in the way of new capital that has to be borrowed from outside, that the surplus of exports should in times of activity diminish if not temporarily disappear, although it is not likely that such a phenomenon as occurred in 1913, when there was a surplus of imports of \$300,000,000, will recur. New sources of wealth have now emerged and made the international trade situation far stronger than it was in the past. To begin with those exports that existed before the war, the

Canada

value of exported wheat has greatly increased; the exporting power of Canadian manufacturers has grown to large figures. In 1910 the total exports of partly or fully manufactured goods amounted to \$135,000,000; in 1926 this figure had increased to \$695,000,000. In 1910 again the percentage of manufactured exports was about 11 per cent.; in 1926 it was nearly 24 per cent. As a material for export, timber still remains of great importance, but there has now been added to it the pulp and paper industry, the limits of which have not yet been reached. The total exports of all products of the forest amounted to about \$284,000,000 in 1926, an enormous increase for the last few years. And there is also the growing output of gold. In 1926 the total produced had swelled to over \$35,000,000, and it is quite probable that the next few years may show a very large increase in this amount.

No national economic situation is ever totally changed abruptly, but it can be said of Canada that the post-war situation does differ fundamentally from the one before the war. The principal change is made up of three factors: (1) The exploitation of a new resource in the shape of pulp wood on a very large scale. (2) The large and very promising development in gold mining, which may yet run into far larger amounts. (3) The expansion of manufacture under somewhat new conditions. Manufacturers are and must for the present be more dependent on the foreign market for the absorption of the surplus product. This is inevitable in a country which has to rely upon mass production and whose population is not sufficient to absorb the whole product. In finance the change is mainly in organisation and increased power and in the growth of international interests. It may be hoped that in future more of the money that is sure to be continuously required by Canada for further development will be obtained from the London money market. But at present there are few indications that point in that direction.

Finally, it seems clear that Canada is well able, even with

The Anglo-Russian Trade Agreement

a slowly increasing population, to carry the indebtedness that has been incurred. Possibly there may be differences of opinion as to whether the term "general prosperity" can be applied to the present position, but at least there is widespread comfort and little unemployment. Also the spirit of enterprise has been revived, and with confidence and courage the future seems assured.

II. THE ANGLO-RUSSIAN TRADE AGREEMENT

THE parties to the Anglo-Russian Trade Agreement, from the obligations of which the British Government declared itself to be free, were therein expressed to be "the Government of the United Kingdom and the Government of the Russian Socialist Federal Soviet Republic." The Agreement contained no provision for making its provisions applicable to any of the self-governing British Dominions, but, in accordance with Canadian minutes of Council passed after the agreement was made, the British Government was "informed that Canada desires to participate in the arrangement," and "a formula to be embodied in notes to be exchanged between the Foreign Office and the Russian Trade Delegation with the object of making applicable to Canada the provisions of the Trade Agreement" was "approved by the Canadian Government." The Agreement was accordingly made applicable to Canada, and a Russian Trade Delegation was established in Canada.

Strictly speaking, the termination of the Agreement by the British Government may also have terminated its application to Canada, and, as reported in the *Toronto Globe* (Liberal), Mr. King was aware that this might be so. However, he announced that the Canadian Government had taken action to declare itself free from the obligations of the agreement, and is reported to have said that "this action is being taken on our own initiative as a result of

Canada

the evidence we have before us at the present time," as "the statement of the British Prime Minister in Parliament yesterday leaves no doubt as to propaganda being conducted by the agents of the Soviet," though he is also reported to have intimated that there has been no violation of the Agreement by the Russian Trade Delegation in Canada. His view apparently was that termination of the Agreement as respects Canada would be notified through London, though by a despatch sent on his instructions to the Russian Trade Delegation in Canada, they were informed that "the Canadian Government had concluded that the Soviet authorities had not fulfilled the undertaking to 'refrain from hostile action or undertakings and from conducting outside their own borders any official propaganda direct or indirect against the institutions of the British Empire,' which was an essential condition of the Agreement as entered into by Canada as well as by the United Kingdom. Consequently the Government considered itself immediately free from the obligations of the Agreement."

There was some criticism of the British Government's action by the *Toronto Star* (Liberal), but almost none from any important source of the Canadian Government's support of this action, and Mr. King appears to have contrived to displease neither the advocates of united Imperial policy nor of separate national action.

III. THE UNITED STATES AND CANADIAN "COMMUTERS"

THE new machinery of diplomatic communication established between Ottawa and Washington has experienced its first serious test in connection with an interesting and complicated frontier problem. At various places where the international boundary between the two countries consists of a narrow waterway a substantial

The United States and Canadian "Commuters"

number of people who reside in Canada find their regular employment in the United States; the outstanding instance is in Essex County in Ontario, where some 15,000 residents of the group of Canadian towns known as the border cities cross the St. Clair River daily by ferries to work in the great American city of Detroit. Until a few months ago, no difficulties had been raised about this daily influx of Canadian "commuters," but last spring, when employment slackened in Detroit, the labour leaders of that city brought pressure to bear upon their political representatives to secure for them protection from the competition of workers who did not live under the American flag. Anxious to conciliate the Labour vote, in view of the election of 1928, the local Republican politicians made representations at Washington, and as a result the United States Department of Labour, which has charge of immigration, promulgated a new set of rules which caused great consternation in many homes in Canada. The effect of these regulations was to apply the status of immigrants to the Canadian "commuters" and the differentiation which had been established by the United States immigration laws between native-born and immigrant citizens of Canada was preserved. The Canadian-born worker who had been crossing daily into the United States could continue to do so by paying a passport fee of \$10, and the \$8 head-tax demanded of all immigrants. But it happened that a considerable proportion of the workers, who were affected by the new regulations, could not claim a Canadian birthplace, and, as the new rules, which threatened them with a loss of their employment, were to come into force at once, they appealed to the King Government for succour. Mr. Massey was instructed to make representations at Washington, and a series of conferences, which was supplemented by an interchange of notes, took place. At first, Canada took the ground that the regulations violated the terms of the Jay Treaty, concluded in 1794, which had given the nationals of both countries the right to cross

Canada

the international boundary freely, but it was discovered that in connection with another dispute Canada had taken the ground that the war of 1812 had abrogated the treaty, and this contention was abandoned. However, the American authorities, when the serious hardship which would have been imposed upon hundreds of families was explained to them, gave sympathetic consideration to the Canadian arguments; they have not withdrawn the regulations, but they have postponed their operation until December, and they have agreed to a plan which will offer an avenue of relief to many of the British-born. The British immigrant quota for the United States is allocated each year by the United States Embassy in London, and henceforth a larger proportion of it is to be assigned to Canada; the share allowed to the consular district of the border cities has been raised for the current immigration year from 800 to 2,000. British-born workers, who can obtain places in the quota and go through the formalities necessary to qualify as immigrants to the United States, will then be free to cross the frontier daily to their work. Apparently for them a sort of permit system is to be established with inspection of permits every six months. There remains, however, a class of workers who are neither Canadian-born nor British-born, and their fate is still the subject of negotiation. The situation now is that while the United States Government is standing fast by its right to exclude migratory workers, it has made very valuable concessions, and promised a sympathetic administration of the new regulations. But the *Manitoba Free Press* declares that the solution now reached cannot be regarded as satisfactory, and that Canada ought to press for a second consideration of the whole situation *de novo*. On the whole, the American press has been critical of the policy of its Government, and the following editorial extract from *The New York Times* is typical of many others:

More important than such technical matters is the fact that the Department of Labour's ruling is an impediment to Canadian-

The United States and Canadian "Commuters"

American friendship. The relations between the two countries have always been so close that it is only natural that both should resent a bureaucratic dictum which seriously hampers the free movement of people between the two countries. If the matter cannot be settled by administrative action, it should be the subject of special legislation as soon as possible after the meeting of Congress in December.

Canada.

August 1927.

AUSTRALIA

I. THE WORKING AND DEVELOPMENT OF THE AUSTRALIAN CONSTITUTION

WHEN the constitution of the Commonwealth was established, it was a commonplace of public speakers and writers that the constitution itself was but the skeleton of union ; that the real union of the people must be built up by years of patient development, and have the breath of life breathed into it by the people themselves.

The Federal Ministry which took office on January 1, 1901, had the constitution in their hands and a blank sheet on which to write. The Commonwealth over which, for certain limited national purposes, they assumed authority was a group of six communities which, though of common stock and traditions, had for generations, in their relations with each other, been almost like foreign countries. They had built up tariffs against one another. They had designed their transport system, by rail and road, not in the interests of Australia—for as yet politically there was no Australia—but in the interests of New South Wales, or Victoria, or as the case might be. And, notwithstanding the nascent sentiment of Australian citizenship, there was in most of the States a good deal of suspicion and distrust of their neighbours' motives and designs.

The Federal Government found itself in charge of certain departments transferred from the States, customs, defence, posts and telegraphs and so forth, and responsible to a Parlia-

Development of the Australian Constitution

ment with competence in certain specified subject-matters of legislation, the residue of legislative power remaining with the States. Its first task was to organise the central administration and pass the necessary legislation to enable it to function as a national government ; and, to begin with, to frame a Federal tariff to take the place of the six tariffs which fenced off the six States from one another, and the removal of which was the first essential to national unity.

Next came the creation of the judicial system of the Commonwealth, with the High Court as its apex—a specially important branch of the government under a constitution which distributes legislative power between two different sets of legislatures. And so at last the good ship constitution is launched and afloat. How has she fared, during the twenty-six years of storm and calm, of peace and war, for which she has sailed the seas ?

The Federal system is a legalist system. The story of the development of the Australian constitution is partly a story of political action, partly a story of the growth of the spirit of union ; but it is largely a story of legal interpretation. It is easy to set out in a written document a list of subject-matters of legislative power ; but it is not always so easy to decide whether a particular measure is or is not within the scope of any of these subject-matters. And in the ordinary course of politics, with two sets of Parliaments doing their best for two sets of electorates, and abundant temptations for encroachment, witting or unwitting, on either side, it is not surprising that the development of the constitution has given lawyers and courts plenty of work.

The process of development cannot be better illustrated than by the story of the " industrial arbitration " clause in the constitution.

The question of industrial disputes had given the framers of the constitution much trouble. At the outset, the prevailing opinion of the Convention had been that industrial matters generally were wholly a matter for the States. But the insistent pleading of Mr. C. C. Kingston and Mr. H. B.

Australia

Higgins* had led the Convention to empower the Federal Parliament to legislate as to "conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one State." In pursuance of this power, the Federal Parliament established a Commonwealth Court of Conciliation and Arbitration, before which, in the case of disputes extending beyond one State, employees could cite employers, and employers could cite employees, in order to obtain an award regulating wages and conditions of employment. To facilitate the representation of parties, provision was made for the registration of organisations of employers and of employees respectively. The trade unions, some of which already had their "federated" organisations throughout Australia, took advantage of the opportunity to register as organisations under the Act. They then proceeded to serve "logs," or claims as to wages and conditions, on employers in the several States, and when these were not accepted, they filed plaints in the Court alleging the existence of an inter-state dispute. The employers, in a series of cases, challenged in the High Court the constitutionality of these proceedings.

In the course of these cases, every word in the "industrial arbitration" clause was the subject of exhaustive argument. What was "arbitration"? Must it be voluntary, or could there be a compulsory reference? What constituted a "dispute"? What disputes were "industrial"? What constituted the extension of a dispute beyond one State? What methods of settlement were authorised by the constitution? At what stage could the Court intervene to "prevent" a dispute which, *ex hypothesi*, did not yet exist, and therefore could not extend? And lastly, what powers, if any, of regulating industrial organisation or industrial conditions were "inci-

* Mr. C. C. Kingston was the first Minister for Customs in the Federal Parliament. Mr. H. B. Higgins is now Mr. Justice Higgins of the High Court of Australia.

Development of the Australian Constitution

dental " to the arbitration power ? On all these questions and others, the High Court, not without radical differences of opinion and frequent inconsistencies, has given judicial decisions, so that there is now an authoritative gloss on the nineteen words of the clause which would fill a respectable volume.

In the space of this article, a very short summary of the result must suffice. It is established that the Federal Parliament may set up arbitral tribunals with jurisdiction to compel parties to come before them. It may provide for organising employers and employees into associations for purposes of representation before these tribunals. It may, incidentally to arbitration, forbid lock-outs and strikes arising out of inter-state disputes. But the jurisdiction of the tribunals is only to arbitrate between the parties before them ; they cannot be empowered to regulate an industry generally by a common rule. And the Parliament, though it may prescribe conditions and impose limitations on the exercise of jurisdiction by the arbitral tribunals, cannot direct or control their decisions. The phrase " industrial dispute " is to be interpreted in its natural sense as including any dispute as to terms of employment in an industry, and industry is given a wide interpretation including, for instance, journalism and theatrical enterprise. The High Court at first made some attempt to limit the jurisdiction of the Arbitration Court to " real " disputes, as distinguished from " artificial " disputes engineered for the purpose of bringing them within the Federal jurisdiction ; but soon realised that the distinction was an impossible one to maintain, and that the existence of an actual dispute must be recognised, irrespective of the causes which had brought it into being. Lastly, it was decided that an industrial enterprise was no less an industry because it was conducted by a municipality or even by a department of a State government ; so that even State employment, in industrial undertakings, could be controlled by Federal awards. Moreover, a Federal award,

Australia

being made under a Commonwealth law, and so having all the authority of a Commonwealth law, will prevail in case of inconsistency over a State industrial award and even over a State Act of Parliament.

It is thus obvious that the Commonwealth industrial jurisdiction, though limited strictly to arbitration and to "inter-state" disputes, is very wide; far wider probably than was contemplated by the draftsmen of the constitution. It has been very widely exercised, because most of the trade unions in Australia have now a Federal organisation, and have obtained Federal awards.

An unsatisfactory aspect of this development is the want of any clear line of demarcation between the spheres of Federal and State industrial tribunals. There has been, and is, much overlapping of awards and consequent embarrassment. Various palliatives have been suggested, but of radical remedies there seem to be only two: either for the Commonwealth to abandon the industrial field altogether, or for the Commonwealth powers to be enlarged to cover the whole field. The former alternative appears to be outside the range of practical politics, and is open to the objection that the several States would find it difficult to control an all-Australian dispute. The latter alternative would mean such an enlargement of Commonwealth powers as would alarm the States. It has, in fact, been submitted to the people more than once at a referendum, and been rejected. On the whole, it may be conjectured that the tendency of public opinion is to favour some extension of Commonwealth power in industrial matters, but not the surrender to the Commonwealth of the whole industrial field. The solution of the problem of the division of the industrial field between Commonwealth and States has not yet been found.

Another illustration of a divided control is trade and commerce. Following the example of the United States, the framers of the constitution assigned to the Commonwealth the power to legislate with respect to "trade and

Development of the Australian Constitution

commerce with other countries and among the States," leaving intra-state trade and commerce to State jurisdiction. Unfortunately, the line of division does not follow any natural division of the subject-matter. It may be admitted that some aspects of trade and commerce are suitable for Federal control, and others for State control; but the true test would seem to be the nature of the regulation, and not the fact whether a particular transaction does or does not cross a State boundary. Commerce is the same thing, whether it crosses a State boundary or not, but under the constitution it falls under different jurisdictions. The result is that it is difficult for the Federal Parliament to pass effective legislation to control monopolies and restraints of trade, or to regulate navigation and shipping; because so much that is aimed at is out of range. In this case also proposed amendments of the constitution to give the whole subject-matter to the Commonwealth have been rejected at the referendum; though it is probable that, if a natural line of division could be devised, the electors would not object to some extension of Commonwealth powers.

The question has often been discussed, whether strong central government is best secured by the American and Australian system of granting specific subject-matters to the Federal Parliament and the residue to the States, or by the Canadian system, which, roughly speaking, may be said to be the converse, and which the framers of the Canadian constitution certainly hoped would give less scope to "State rights." Canada, however, has lately had a rude awakening in this matter by the decision of the Privy Council that the Dominion Trade Disputes Act, which had stood unchallenged for a generation, was unconstitutional, as dealing with property and civil rights, which are in the exclusive power of the provinces—a decision which is thought to throw doubt on the validity of certain other Dominion statutes.

The experience of Australia, as illustrated by the two examples given above, is that a specific subject-matter

Australia

which is expressed with limitations or qualifications is apt to be a source of weakness. But if the specific Federal powers are clearly expressed and in terms sufficiently wide, there need be no weakness about them.

Take the case of naval and military defence. Control over that subject-matter is given without qualification to the Federal Parliament; and in the supreme test of war it met all needs. The Commonwealth war legislation covered practically as wide a field as the Defence of the Realm Act in Britain, and no item of it, or of the regulations passed in pursuance of it, was successfully challenged in the courts. In the leading case, the High Court upheld, as a lawful exercise of the defence power, the validity of a War Precautions Regulation fixing the price of bread—which, regarded merely as a regulation of trade and commerce, would clearly be a matter of exclusively State jurisdiction. The Court said, in effect, that the defence power covered everything that might be necessary to help to win the war. With the wisdom of the regulation the Court had no concern; that was a political question for the executive branch of the Government which was responsible for defence policy. To challenge a defence regulation successfully, it would be necessary to show not merely that it would not, but that it could not possibly affect the result of the war.

That was a very striking decision because it was the beginning of a line of interpretation culminating in the *Engineers' case* (1920), in which the rule was laid down that every specific subject-matter of Commonwealth legislative power is to receive its full construction, according to the natural meaning of its terms, without any qualification arising from any implied reservation of particular subject-matters to the States. The history of this important rule of interpretation is interesting. In *D'Emden v. Pedder* (1904), one of the first constitutional cases decided by the High Court, the doctrine of mutual non-interference was laid down. This doctrine, which was based to a large extent

Development of the Australian Constitution

upon American decisions, was that under the scheme of the constitution, which distributed the sum total of sovereign power between the Commonwealth and the States, it was necessary that the powers expressed to be assigned to each should be read with the implied limitation that neither had the right to interfere, by taxation or regulation, with the operations or instrumentalities of the other. This doctrine was first enunciated to protect the Commonwealth against encroachments by the States—as, for instance, the State taxation of Commonwealth documents; but in its converse form it came to be regarded by the States as their protection against encroachment by the Commonwealth—for instance, by industrial regulation of State railway or other services. In the course of time, the Court had found some difficulty in the application of the doctrine, and the personnel of the Court had changed. In the *Engineers' case* it was faced with the question whether certain industrial concerns established by the State of Western Australia—factories and mills which were indistinguishable from ordinary trading concerns except that they were State-owned, and which were in competition with private enterprise—were subject to the jurisdiction of the Commonwealth Arbitration Court. The High Court boldly reviewed the whole situation, and—though this involved overruling a series of its past decisions—threw the doctrine of mutual non-interference overboard. It held, in the particular case, that this was an industrial dispute and came within the plain terms of the Federal power; and that the fact of the industry being controlled by a State was immaterial, and did not give it immunity from Federal control.

Now, therefore, the guiding rule for deciding the constitutionality of a Federal law is simply this: does it, or does it not, come within the words of one of the specific subject-matters of Federal power? If it does, it is valid; if it does not, it is invalid. In this view, the protection of the Commonwealth from encroachment by the States

Australia

is the supremacy of Federal law in the case of inconsistency ; and the protection of the States from encroachment by the Commonwealth is the limitation of the Federal sphere to specific subject-matters.

It is too early yet to say whether the application of this rule will, on the whole, swing the balance to any great extent in favour of the Commonwealth powers. It must be remembered that the old rule was a reciprocal one, and limited the Commonwealth as well as the States ; and the new rule affirms the exclusive power of the States in matters not specifically assigned to the Commonwealth ; so that it cuts both ways. The subsequent decisions of the Court have not indicated any marked tendency to curtail the sphere of State jurisdiction.

Opinions are sometimes expressed, in the press and on the platform, that Australia is tending away from federalism towards unification. But there has been no clear indication of public opinion in support of this view. Each session of Parliament, of course, sees the Commonwealth occupy some part of the field assigned to it which it had not occupied before ; but that means only an extension of its action, not an enlargement of its powers. Every attempt—and there have been several—to amend the constitution in the direction of wider Federal powers, even when approved by the Federal Parliament, has been definitely rejected by the electors at a referendum. There is some ground, as already stated, for believing that public opinion is tending in favour of some increase of Federal power, particularly with regard to trade and commerce and industrial matters, and that the rejection of all such proposals to date is due to the public having always been asked to swallow too much at a single dose. But to alter the boundary line of Federal powers is one thing, to abolish it quite another ; and there has been no expression by the electors of a desire to place the full sovereignty in the hands of the Federal Parliament, and reduce the State Parliaments to subordinate municipal status.

Development of the Australian Constitution

The most unsettled subject in the constitutional position to-day has been the question of the financial relations between the Commonwealth and the States. This has been a source of trouble from the first. Theoretically, it has always been recognised that the best system would be for State and Federal finance to be absolutely separate—each authority raising and spending its own revenue without reliance on the other. But this has hitherto been unattainable. The framers of the constitution were faced with the position that, on federation, the States would surrender their whole customs and excise revenue to the Commonwealth, while the requirements of the Commonwealth at the outset were only a fraction of the amount collected. But the future was incalculable. They accordingly made a provisional arrangement for ten years, for three-fourths of the customs and excise revenue to be returned to the States, leaving the matter after that in the hands of the Commonwealth Parliament. At the expiration of the ten years, the Parliament, in lieu of three-fourths of the customs and excise revenue, granted the States an annual subsidy of 25s. per head of their population, and from time to time has granted certain additional subsidies to States that were in need of it. The great war, with its heavy calls on the Commonwealth exchequer, altered the situation. The Commonwealth maintained the State *per capita* subsidies, but was obliged to impose heavy direct taxation to meet its obligations. The position now is that, while the taxation revenue of the Commonwealth has grown from £8,900,000 in 1901-2, to more than £54,000,000, its expenditure—including interest on war debts—has kept pace with the increase. But the Commonwealth still raises annually between seven and eight millions sterling which it does not require for its own use, but returns to the States, which have the spending of that money without the responsibility of raising it. The present Federal Government, thinking that this is not consistent with sound finance, proposed to the States

Australia

that the Commonwealth should stop the *per capita* subsidies, and at the same time relinquish Federal direct taxation to an equivalent amount, leaving that field of taxation open to the States to make up the deficiencies in their revenue. The proposal was strongly opposed by the States; but the Federal Government has announced its determination to put an end to the *per capita* subsidies, and has passed legislation to take effect from July 1, 1928, meanwhile inviting further negotiations with the States on the subject.*

II. POLITICAL CHRONICLE

THE outstanding event of the past three months has been the visit of the Duke and Duchess of York. The occasion of the visit was the meeting of the Federal Parliament for the first time at Canberra, but their Royal Highnesses took advantage of their opportunity to spend some time in each of the States. Wherever they went they were welcomed with unmistakable enthusiasm. Australians, without distinction of party or class, showed their appreciation of the interest displayed in the country and its institutions, and of the personal qualities of their visitors. It was evident that, however acute may be their political differences, the people of this country are united in their loyalty to the Crown as the institution which unites the different members of the British Commonwealth. At the Canberra ceremonies were present representatives from India, Canada, South Africa, and New Zealand. Most of the delegates had to leave Australia shortly after the ceremonies, but the Indian delegate was able to visit various parts of the Commonwealth and to enquire into the position of his fellow-countrymen. He was warmly welcomed by Australians as well as by Indians, and has

* The Conference between the Prime Minister of the Commonwealth and the State Premiers has been held since this article was written. See page 831.

Political Chronicle

expressed his sense of the benefits which would be derived and of the misunderstandings which would be removed through a fuller first-hand knowledge of each other on the part of Indians and Australians.

The Canberra session was very brief and no business of importance was transacted. The Federal Parliament, which had been in recess from September 1926 until March of this year, will not meet again until September. In the interval Mr. Bruce proposes to hold a conference with the State governments at which the principal subjects for discussion will be a Federal scheme of child endowment and the readjustment of the financial relations of the Commonwealth and the States which last session reached an important but apparently not their final stage by the passing of a Bill for the abolition of *per capita* payments. During the recess the Federal Attorney-General will make a political tour of Australia, the Minister for Home and Territories will inspect the Mandated Territories, and Sir George Pearce will represent Australia in the Assembly of the League of Nations.

In the States there have been three general elections, two of which have been followed by changes of Ministry, and in New South Wales there has been a reconstruction of Ministry which will in all probability be followed by a general election. In Western Australia a Labour Ministry went to the polls. After a campaign in which no great enthusiasm was shown on either side, and of which the result was in doubt until the last moment, the Government was returned with a reduced majority. In South Australia a Labour Ministry went to the polls and was defeated. The Ministry had been weakened by the loss of a very popular Premier, Mr. Gunn, who had been appointed by Mr. Bruce to the Development and Migration Commission. The chief factors in its defeat, however, were a bad budget and the union of the Country and Nationalist parties prior to the general election. Both in State and Federal politics in South Australia, Labour has profited in the past from the

Australia

refusal of the Country party to enter into a working agreement with the Nationalists, but at the recent election fear of Labour extravagance brought the two parties together, and they were able to secure a satisfactory working majority. In Victoria, the Allan Ministry, which depended on a coalition of Nationalist and Country party members, had been losing ground for some time before the general election, and its defeat was widely predicted. It had remained in office, after several defeats in the House, on the ground that it had pledged itself to pass a redistribution Bill, but its support was not sufficient to enable it to carry out any satisfactory programme. Before the election the non-Labour members had split into a number of groups and after the election, Labour, though not in a majority, was the strongest party in the Legislative Assembly. It was thought for a time that a new coalition would be formed among the non-Labour members under a new leader, but this proved impossible, and the Labour leader, Mr. Hogan, was called upon to form a Ministry. His programme is likely to be moderate, for he can hold office only so long as he does not provoke a coalition among the non-Labour groups, and forecasts already published show his sense of the need of conciliating those country members who will give their support in return for concessions.

In New South Wales the Premier resigned with the object of ridding himself of a number of his colleagues with whom he was unable to agree. He had proposed to the Executive Council that the Governor should be asked to dissolve Parliament. This proposal was defeated. Mr. Lang thereupon resigned and was commissioned to form a new Ministry on the understanding that it would carry on only routine business and as soon as possible apply for a dissolution. A new Ministry has therefore been formed from which all but two of the original Lang Ministry have been excluded, and which has the support of 20 or possibly 21 out of the original Labour following of 46. This Ministry is now preparing for a general election with

Political Chronicle

many expressions of confidence in the result amid the execrations of the balance of the party. The origin of this crisis is to be found in a series of events, some of which were described in the last number of *THE ROUND TABLE*.^{*} The Labour movement in New South Wales is governed by the State Labour Conference, which is representative of Labour Leagues in the constituencies, and is generally regarded as subordinate to the Federal Labour Conference. The State Conference has for some time past been divided between two factions, the industrialists or "Reds," who have the support of the miners and the greater number of industrial unions, and their opponents, who find their chief support in the A.W.U. (Australian Workers' Union) which is mainly composed of workers in rural industries. What difference in principle divides the two sections has not always been clear, but the industrialists have been denounced by their opponents as Communists or friends of Communists and as disruptionists of the Labour movement. The dispute between them was, however, brought to a head by a proposal to alter the rules of election to the State Conference, which would have operated in favour of the industrialists. A dispute as to the proper method of convening and holding a conference led to each section declaring the President of the other expelled, and to an appeal to the Federal Conference. The Federal Conference decided against the industrialists. Its leaders then made an attempt to bring the opposing parties to terms in the interests of the movement as a whole. Mr. Lang, however, had accepted the industrialists as the orthodox body, had attended their Conference as Premier with his colleague, Mr. Willis, a leader of the miners, who in previous years had gone through the vicissitudes of having been expelled from the movement as a disruptionist, and afterwards elected President of the Conference. These two Ministers accepted the orders of the Conference that Mr. Lang, with a view to removing unsympathetic Ministers, should resume

^{*} *THE ROUND TABLE*, No. 67, June 1927, p. 624.

Australia

the dictatorship within the Parliamentary party, which he had formerly renounced, and that the two members who had first seceded and then returned to the fold should be finally expelled. Both these resolutions were resented by Mr. Lang's colleagues, who insisted that the Parliamentary caucus should retain control, that the dictatorship should be abandoned, and that Mr. Willis should be expelled instead of the two seceders. Mr. Lang's attitude appears to have been at first doubtful, but he finally declined to jettison Mr. Willis, and did not insist on expelling the two seceders, who were in fact essential to the maintenance of his majority. When the Federal intervention came, Mr. Lang refused to recognise it, and at a Federal by-election spoke in favour of a Labour candidate who had been declared unorthodox. Unity and discipline having thus been set aside, it wanted little to break up the Ministry, in which from the beginning there had been many personal divisions. Which was pretender and which king of the two rival sections, and whether the industrialists were anxious to bring in measures very different from the former Ministers', are questions which can be answered only by those who are familiar with the technicalities of Labour politics. The *Labour Daily*, which supports Mr. Lang, declares that his followers are the only true Labour men, the only members who do not regard politics as a stepping-stone from manual labour to professional or social advancement. Whatever the difference may be, it is certain that the dissolution is welcome, for the Ministry had lost its authority and its internal dissensions had made administration impossible. Possibly the two sections may agree upon some sort of arrangement before the general election, for a strong effort is certain to be made to present a united front to the common enemy. But at present there is no evidence of reconciliation, and the most decisive proof of the reality of the dispute is to be found in the fact that Parliament is to be dissolved almost a year before the end of its term.

Postscript

POSTSCRIPT

The proposed Conference between Mr. Bruce and the State Premiers was held during the second week in June. Two subjects were discussed, child endowment and the financial relations of the Commonwealth and the States. On child endowment Mr. Bruce pointed out that, owing to the defeat of the constitutional amendments proposed by his Government at the referendum of last year, the Commonwealth Parliament had no power to legislate, and that therefore it was impossible to pass one law for the whole of Australia. He also suggested that sufficient information was not yet available to enable the States, acting separately, to bring into force schemes of endowment which would at the same time be satisfactory in themselves and uniform in their effect throughout Australia. Mr. Forgan Smith (Queensland) thereupon proposed that a Royal Commission should enquire into child endowment, the nature and amount of the taxation involved, and its effect on industry. To this proposal all the Premiers, with the exception of the Premier of New South Wales, agreed and the Royal Commission will be appointed.

The financial proposals of the Commonwealth, after discussion and amendment, were accepted by all the States. Whether considered as a step in constitutional development, or as marking a new phase in the financial relations of the Australian States, this agreement is of the first importance, and will be treated in detail in the next issue of *THE ROUND TABLE*. Briefly, it provides for the taking over by the Commonwealth of all the State debts and the payment by the Commonwealth of an annual sum of £7,584,912 towards the interest on these debts, the balance being contributed by the States. Future borrowings are to be controlled by the Australian Loan Council, on which all the States and the Commonwealth will be represented,

Australia

and to which all the States and the Commonwealth will once every year submit their respective requirements other than amounts required by the Commonwealth for defence purposes. For the loans taken over a sinking fund will be provided by joint contributions from the Commonwealth and the States sufficient to extinguish them in 53 years, and a further sinking fund will be provided for all new loans raised by the Loan Council. This scheme takes the place of the proposed readjustment under which the Commonwealth was to abandon *per capita* payments and to withdraw to some extent from direct taxation. The amount to be contributed as interest by the Commonwealth is equivalent to the amount formerly paid to the States, but the Commonwealth will make other payments in addition, so that the States will gain financially by the change just as they gain by the freedom from the inconvenience of a readjustment of their own systems of taxation. Effect cannot be given to the new scheme in its entirety without an amendment of the constitution, which will require a referendum, but a tentative arrangement has been made under which borrowing can be effected through the Loan Council and payments made into a sinking fund from July 1, 1927, to June 30, 1929.

Australia.

June 28, 1927.

SOUTH AFRICA

I. THE PARLIAMENTARY SESSION

THE session of Parliament which ended on June 29 was remarkable in that three government measures of major importance which had passed the House of Assembly failed to pass the Senate or passed only with amendments to which the Lower House refused to agree. These were the Iron and Steel Bill, the Precious Stones Bill and the South Africa Nationality and Flag Bill. The last-named measure, as being the storm centre of present-day politics, requires special and separate mention. The other two raised issues which, though controversial, were economic, and their decision one way or the other did not involve the racial and national divisions which inevitably follow the debates about a national flag.

The proposal to establish a State iron and steel industry is the culmination of a series of attempts which were initiated by the former Government to turn to account the large iron ore deposits known to exist in the Transvaal. The raw materials required for the production of steel are all available within fairly easy reach of the industrial centre of the country where the finished product would find a market. It would therefore have the advantage, as against competitors from overseas, not only of very cheap coal and power but also of proximity to its market. The obstacle which hitherto has stood in the way of private enterprise coming into the field has been the fear that the South

South Africa

African demand for steel would be too small to justify the large-scale output which is an essential condition of modern steel production. The previous Parliament passed an Act providing for a bounty of 15s. per ton of pig iron and 15s. per ton of steel produced in the Union from native ores by a concern capable of producing 50,000 tons per annum. This bounty had not proved to be a sufficient inducement to bring in private enterprise on any large scale. A small concern had been started at Newcastle, in Natal, with the object of using an iron ore deposit, but had found it impossible to raise the necessary capital for the erection of blast furnaces. Another company had been at work for some years at Vereeniging, utilising scrap but unable to use ore owing to its distance from the deposits. Yet another company had come into being with the object of setting up blast furnaces on a large scale at Pretoria, where proximity to iron deposits and to the coal mines seemed to offer a more attractive prospect. But all its efforts to raise the necessary capital here or in Europe had proved fruitless. The present Government had come into office on a policy of industrial development, and was at once attracted to the idea of establishing the production of steel. The policy of the previous Government had been to induce private enterprise to undertake the business. The present Government approached the question from a different point of view. The Labour section of the Pact was constitutionally averse to private capital being encouraged or even allowed to exploit so important a source of wealth. The Nationalist section, while nominally repudiating the principles of socialism, has an instinctive objection to seeing a large and important industry controlled by "foreign" capital. Even the gold mining industry of the Witwatersrand has always been regarded by the Nationalist party as a sort of alien enclave in the body politic. A key industry such as steel must not suffer a like fate, but be from its inception truly national. The principles or prejudices of both sections therefore led the

The Parliamentary Session

Government to the conclusion that the new industry must be not State-assisted but State-controlled.

They decided to take over the Pretoria scheme, which had been very favourably reported upon by some experts sent out by a German steel concern who made a close and exhaustive examination of the prospects of a steel industry in the Union. On the strength of this report and of other opinions obtained by them, the Government decided on the establishment of a steel industry on a large scale at Pretoria, under State control.

The scheme put forward in the Bill as it was passed in the Lower House was to incorporate a company with a capital of £5,000,000 of which £3,500,000 was to be share capital and £1,500,000 to be raised by an issue of debentures with Government guarantee. The management was to be in the hands of a Board of directors, the majority of whom and the Chairman were to be appointed by the Government. The idea, therefore, was not to have the concern administered directly by a Government department, but to set up a sort of public utility trust with the ultimate control in the hands of the State through the directors appointed by the Government, but not subject as regards its detailed arrangement to direct official interference, and with the outside public represented on the Board if, as was hoped, the shares were subscribed for by the public. This experiment in State industries is not altogether a novelty here. In 1922, when the Smuts Government was in office, Parliament passed the Electricity Act, by which there was incorporated a Commission consisting of members appointed by the Government with powers to take over or establish undertakings for the supply of electric power. There has not yet been time to test the efficiency of this system of supply in comparison with the large private corporation which supplies power to the gold mining companies of the Rand, but the principle of setting up a public body for the control and production of electric power meets with general acceptance. It is a big step

South Africa

forward, however, to extend the system of public control to a highly competitive branch of industrial production, such as the manufacture of steel, and there are many who doubt whether such a concern will be able to supply steel, even to our own industries, at a price which will compete with the great and highly organised suppliers of Europe and America. If it cannot, one of two things will happen. Either the enterprise will fail, and the country will be saddled with a few millions of unproductive debt, or, as is more probable, the State industry will be protected by a tariff which will raise the cost of steel to every user in the Union. It was evidently from some such apprehension that the Senate rejected the Bill on its second reading, while, at the same time, recording its approval of the establishment of a steel and iron industry through private enterprise with Government assistance, if necessary.

The Government, however, has announced its intention of bringing forward the Bill again at the next session, and, if the Senate again rejects it, passing it into law by means of a joint sitting of the two Houses.

The case of the Precious Stones Bill was somewhat different. There the Senate passed the second reading, but objected to a certain provision of the Bill. We will, however, return to that measure in the next section. Apart from the South African Nationality and Flag Bill these were the only two measures of importance dealt with during the session. The four Bills introduced by the Prime Minister dealing with the rights of natives in regard to the acquisition and occupation of land, the restriction of the exercise of the franchise by natives in the Cape Province, and the grant of a restricted franchise to natives in the other provinces, the institution of Native Councils throughout the Union and the grant of a special and limited parliamentary franchise to coloured persons in the provinces where they are now debarred from voting were not proceeded with. They were referred, before the second reading, to a select committee which spent the rest

The Parliamentary Session

of the session in hearing evidence from a large number of persons, European and native, on the questions raised. The Committee simply reported the evidence which it had taken, and, presumably, a similar committee will be appointed next session which will carry on the work of its predecessor.

The South African Nationality and Flag Bill was the subject of long and sometimes acrimonious debate. The proposal that South Africa should have its own national flag has been unfortunate, both in the time and the manner of its birth. It first took definite shape last session, when the Minister of the Interior introduced a Bill defining South African nationality, and empowering the Government to prescribe a national flag. Attempts to obtain agreement between the parties in Parliament failed because the Government laid it down as an absolute condition that the new flag should not embody the Union Jack, on the ground that that flag was to a certain section of the people a symbol of conquest and domination. The effect of this was to rouse an equally strong feeling among a section of the British people that they would have no flag which did not contain the Union Jack, both as representing their traditions and their share in building up the country, and as symbolising the connection of South Africa with the Empire. As no agreement was reached the Government decided on a design which had no associations with the past and which could fairly be described as neutral. The Bill, however, was not proceeded with in the 1926 session, as the Government thought it better to give more time for discussion in the hope that some measure of agreement might possibly be arrived at. The Minister, however, in announcing this decision, stated emphatically that this step did not mean any departure from the Government's policy, and that in the next session (1927) the Bill would be re-introduced on the same lines and pushed through. This was a bad omen for an amicable settlement. After the session the Minister appointed a large Commission to

South Africa

advise him in the selection of a design, but the terms of reference were such as to preclude them from recommending a design which included the Union Jack or the flags of the late Republics as part of the new flag. After long deliberation a majority of the Commission put forward three designs for the Government to choose from. The minority made no recommendation. After some vain attempts at agreement between the majority members of the Commission and representatives of Flag Committees which had been formed in various parts of the Union to press for the inclusion of the Union Jack, the Government introduced their Bill adopting one of the three designs recommended by the majority of the Commission. This was a flag consisting of the cross of St. George on a green field divided quarterly. This had been recognised by the minority members of the Commission as a conciliatory gesture towards those who were pressing for the inclusion of the Union Jack, but as a flag design it cannot be said to have met with a very favourable reception in any quarter. The Bill also provided that the Union Jack should be flown as a symbol of the association of South Africa with the British Commonwealth of Nations on four days of the year—viz., the King's actual birthday, May 24, May 3 (the anniversary of union), and the first Monday in August (which is kept as the official King's birthday holiday), and on such other days as the Government might appoint.

These were the Government's flag proposals in the Bill of 1927. They were strenuously fought from the beginning by the Opposition. The contention of the Opposition was that any design for a national flag should be based on a large measure of national agreement, that the time was inopportune for obtaining such agreement owing to the feelings which had been aroused on either side, and that a national flag should embody as integral and substantial portions the Union Jack and the flags of the late Republics as symbolising the elements out of which the nation was being built up. After long and sometimes acrimonious debate the

The Parliamentary Session

Bill passed the second reading, but, instead of pushing it through its remaining stages, the Government, as a last effort at obtaining agreement, moved for its reference to a Select Committee. The Committee failed to reach agreement, but the Government introduced and carried a new flag design. The design of the St. George's cross on a green field had not been received with any enthusiasm on either side, and it was now replaced by a design which was put forward as a definite advance towards meeting the views of the Opposition. It was based on the principle that the Union Jack and the Republican flags should find a place on the flag, so long as they were there as representing our past history, and did not either singly or collectively occupy a dominating position. The design itself was a tricolour of transverse stripes of orange, white and blue, with, in the middle of the white stripe, a shield on the quarterings of which are the Union Jack, the two Republican flags and four stars on a blue ground. The Opposition members of the Select Committee adhered to their formula that the Union Jack and the two Republican flags should be integral and substantial parts of the flag, and rejected the Government design as not complying with these requirements. In this form the flag provisions of the Bill came back to the House and were passed, except that the Government accepted an amendment moved from their Labour wing in regard to the use of the Union Jack. The Bill, as has been said, provided that the Union Jack should be flown on specified days as symbolising our association with the Empire. The amendment simply declares that our association with the Empire is to be symbolised by the Union Jack, but makes no provision as to its being flown at particular times or places. The Senate passed the second reading of the Bill, but in Committee took out the Government design and inserted one of a flag quartered by a white cross and containing in its respective quarters the Union Jack, the Republican flags, and in the fourth the four stars on a blue ground. In effect it takes the shield from the Govern-

South Africa

ment design and makes it the flag. It also amended the provisions for a referendum contained in the Bill by requiring a clear majority of all registered voters, instead of a majority of those actually voting. Both these amendments were rejected by the Lower House, and so the deadlock was reached which has to be overcome, if no agreement comes about meanwhile, by a joint sitting.

A special session is to be convened in October, at which this and the other two Bills on which the two Houses are at issue will be passed. A referendum will then be taken on the flag in December or January.

It is in many ways unfortunate that this controversy should have arisen at the present time. The declaration as to Dominion status of the recent Imperial Conference, as has been stated in a previous number,* had a remarkable reception from the leaders of the Nationalist party here. They accepted it as giving to South Africa independence, not indeed in the form to which they have looked forward, but still in a form which would satisfy their national aspirations. They had announced without reserve that the movement for secession from the British connection was, as far as they were concerned, abandoned. If we could have gone on in this spirit for a few years the face of South African politics might have been changed. We might have got away from the racial issue which has created a wrong dividing line among political parties and prevented the great social and economic problems from receiving that attention which they need. But the flag question has put back the clock again. It has roused among a large section of the British people all the old suspicions of the past. They regard it, unreasonably perhaps, but not unnaturally, as a secession movement in disguise. They have hardly as yet adjusted their outlook to the conception of South Africa as to all intents and purposes an independent nation associated by its allegiance to the Crown with Britain and the other Dominions.

* THE ROUND TABLE, No. 66, March 1927, p. 393.

The Parliamentary Session

They cling jealously to the flag as standing for what is to them by race and tradition the most living element in their national heritage. That South Africa, with its new status, should have its own flag is common ground, but as events are shaping at present it looks as if we shall get something which, instead of being a seal of union and a common national life, will be a potent cause of disunion, and of the revival of divisions which we all desire to see die out.

The Bill is not confined to a national flag, but provides also for defining the national status of South African citizens. These provisions follow more or less closely the Canadian Act of 1921 defining Canadian nationality. The Bill provides that a British subject born here or who lawfully enters the Union becomes a Union national after two years' domicile, and a person who becomes a British subject by naturalisation here becomes a Union national after three years' domicile. Union nationality therefore does not supersede the status of the Union citizen as a British subject, which he has by virtue of his allegiance to the Crown, but is something superimposed upon it in respect of his Dominion citizenship. These clauses of the Bill were adopted in both Houses with some criticism but without serious division of opinion. They will not be affected by the result of the referendum on the clauses dealing with the flag.

The budget presented at the last session contained no surprises, except perhaps that the surplus on the general budget and the deficit on the railway budget were both rather larger than had been expected. The figures of revenue and expenditure on the general budget were as follows:—The revenue amounted to £28,558,000, which was about $1\frac{3}{4}$ millions over the estimate, while the actual expenditure was £27,300,000. There was therefore a surplus of $1\frac{1}{4}$ millions, which will be devoted to the redemption of debt. The financial policy foreshadowed by the Minister was one of caution with due consideration for certain elements of uncertainty which must enter into any

South Africa

calculations as to the future. The country has been passing through a period of droughts which in some districts have been of ruinous severity, and this must inevitably affect the purchasing power of the community and react on the public revenues. Another contingency which has to be taken into account is the danger of a set-back in the diamond trade owing to the enormous increase in the output of the new alluvial diggings. The system of limited output on which the diamond trade has been based for many years is very seriously threatened by these new discoveries, and any grave disorganisation of the diamond market would immediately affect the revenue. The Minister, therefore, was unable to offer any substantial reduction in the burden of taxation. By some of his critics his budget was criticised as "hum-drum," but the general opinion commended him for a wise caution in his outlook on the future. The budget of the Railways and Harbours Administration showed an actual deficit of £158,000. This deficit, however, is only arrived at after making large appropriations from revenue over and above those required to meet working expenditure, interest on capital and depreciation, as, *e.g.*, £250,000 for betterment, £250,000 towards reduction of interest-bearing capital, and £312,000 towards making good deficiencies on certain Pension and Superannuation Funds. While, therefore, the Minister records a deficit on the budget for the year, it cannot be said that the railways and harbours are being administered at a loss. What is said, however, and with some measure of justification, is that since the present Government took office the expenditure of this department has expanded at an alarming rate, and that the reduction of freight charges which was expected in view of the large increase in revenues is indefinitely postponed. The estimates for the current year for the Railways and Harbours Administration anticipate a revenue of £28,768,000 as against a total expenditure on revenue account of £28,728,000.

The Precious Stones Bill

II. THE PRECIOUS STONES BILL

ÆSOP and La Fontaine have made us all familiar with the story of two partners losing their wealth because of their failure to agree as to the sharing of it. The diamond deposits in the Union of South Africa threaten from time to time to provide still another variation on that well-worn theme. The Union Government shares with the producers a direct monetary interest in the winning of diamonds from the mines and alluvial diggings; both parties are agreed as to the necessity for the prompt passing of the Precious Stones Bill, if their joint financial interests are to be safeguarded; and yet they have allowed their differences of opinion on matters of secondary importance to endanger the whole industry by preventing that Bill from becoming law during the session which has just ended.

At the time of the passing of the Diamond Control Act (No. 39 of 1925) a description was given in these pages* of the organisation of the diamond mining industry, of the relationship of the mining companies to the buying syndicate, and of the immediate events which led the Government to attempt to safeguard its revenue from the industry by passing that Act. In so far as its main provisions were concerned, the measure was merely permissive; nevertheless the Government hoped that the powers which the Act conferred upon it were at least sufficiently real to persuade the producers and merchants then engaged in concluding a new five-year contract for the disposal of the output of the mines, that an early and stable agreement must be reached, if the prosperity of the industry was to continue; and that if they could not achieve such an agreement, the Government would itself attempt the task.

It has been consistently maintained by the Conference

* See THE ROUND TABLE, No. 59, June 1925, pp. 603-610.

South Africa

producers that success in the exploitation of the South African diamond deposits can only be achieved by providing, firstly, an effective control over production, and secondly, a system of selling the output through a single channel. Economic purists may perhaps doubt the necessity for the second provision, believing that even in the case of diamonds (the demand for which is not particularly subject to short-period fluctuations) the adjustment to the demand of a fixed annual supply may be best achieved by the trials and errors of a number of dealers; but as regards the desirability of controlling the output of diamonds there is no room for difference of opinion. It is true that the action of the Union Government in 1925 in specifically excluding alluvial diamonds from the provisions of the Diamond Control Act, suggests that it was not then convinced of the necessity for complete control. Doubtless the mind of the Labour section of the Pact was at that time greatly exercised by the fear that any interference with the alluvial diggings might lay the Government open to the charge of adding to the unemployment problem; but it is reasonable to assume that even at that date the Government's attitude, in theory if not in practice, was correctly described by the Minister of Mines and Industries on April 25, 1927:

It is obvious to me (he said) that when we passed the Diamond Control Act of 1925 we excluded alluvial diamonds on the sole ground that their production was so insignificant that we could ignore them.

The Organisation of the Diamond Market

While the Act of 1925 was being debated, the inter-producers' agreement for the control of production was due to terminate at the end of the year, and the output was being marketed by three separate bodies. Following on the disposal of the non-conference output of South-West Africa by the Administrator to an Antwerp firm, the Anglo-American Corporation had contracted independently at the beginning of the year for five years' output of the

The Precious Stones Bill

Consolidated Diamond Mines of that territory. This not only entailed the withdrawal of the Corporation from the London Diamond Syndicate, but also that of Messrs. A. Dunkelsbuhler and Co., who had been associated with the Corporation when it contracted in 1924 to sell the output of the Angola Mines and, in 1924, that of the Consolidated African Selection Trust operating in West Africa, and who were now associated with it in the South-West Africa contract.

The London Diamond Syndicate thereupon followed the example of the Anglo-American Corporation by making a one-year contract to acquire the output of the De Beers Consolidated Mines, New Jagersfontein and the Premier Mine, on somewhat more favourable terms than they had previously offered.

Towards the end of 1925 the big producers met in Cape Town at the invitation of the Minister of Mines and Industries, and agreed to renew the inter-producers' agreement for a further period of five years. Having thereby ensured adequate control of the supply from the mines, the producers proceeded to ratify a tentative sales-agreement with a new syndicate, comprising Messrs. Barnato Bros., the Johannesburg Consolidated Investment Corporation, the Anglo-American Corporation, and A. Dunkelsbuhler and Co., for the purchase of the output of the Union mines for five years from January 1, 1926. The two latter members handed over to this syndicate the contracts which they held for the acquisition of the South-West African, Angola and West African output, and the Government duly approved of their action.

The new alliance between the two groups in the Syndicate was further strengthened by the connection of Sir Ernest Oppenheimer (chairman of the Anglo-American Corporation) with the firm of Dunkelsbuhler, and his appointment as chairman of De Beers Consolidated Mines, following the acquisition of a considerable share-holding in that body by the Corporation. The London Diamond Syndicate had

South Africa

previously sold all common industrial stones to a group known as the "Common Goods Combination." The market for industrial stones was in 1925 depressed by the knowledge that this combination was holding nearly 700,000 carats of stock, in addition to over a million carats held by the Syndicate. Early in 1926 the "Common Goods Combination" was dissolved and the new Syndicate made a fresh agreement with the firm of L. M. Van Moppes en Zoon in London to buy all their industrial stones at a fixed price.

As the result of these contracts there was, at the beginning of 1926, every reason for optimism concerning the future of the diamond trade. The Syndicate established amicable working relations with the firm producing in the Belgian Congo, and 95 per cent. of the world's production was being marketed through a single channel. That very leaky ship, the "Diamond Monopoly," seemed to be well caulked for her 1926 voyage, and incidentally the Union Government was likely to do well out of the trip. The Union mines had secured better terms for the sale of their output (to some extent as the result of administrative intervention), and the government receipts from taxation were expected to show a slight increase on that account. In so far as the main shareholders on both sides were the same, the change in the terms of sale would, however, involve little more than a book-keeping entry, unless the wage-earners secured a share in the increased prosperity of the producing companies. The new sales agreement, on the other hand, contains an important "replacement clause," under which the Syndicate's purchases from the producing companies are governed by their sales of Conference diamonds during the preceding six months. This clause not only safeguards the Syndicate against the accumulation of heavy stocks (as during the post-war depression), but will also make possible the substitution of diamonds from other sources, if for any reason the costs of production in the Union mines are increased.

The Precious Stones Bill

The Alluvial Discoveries at Lichtenburg

Unfortunately, the respite of the diamond monopoly from outside competition once more proved to be surprisingly brief. The outstanding feature of diamond history since the beginning of 1926 has been the extraordinary wealth and permanence of the new alluvial discoveries at Lichtenburg, and the inability of the Union Government to control the production on account of the specific exclusion of alluvial diggings from the terms of the Diamond Control Act of 1925. The total alluvial production of the Union has risen from £1,359,730 in 1922, and £2,150,373 in 1924, to £3,983,634 in 1926. In 1927 it may reach £7,000,000. The Lichtenburg output alone in 1926 exceeded half a million carats, valued at nearly two million pounds. In January 1926 the output was 385½ carats; in January 1927 162,879½ carats. But in the meantime the average price realised per carat fell steadily from £8 7s. 11d. in February 1926 to £2 8s. 7d. in January 1927, although 1926 proved to be an exceptionally favourable year for the sale of diamonds. Despite estimates that the world's power of absorbing diamonds has risen from the former level of £12 million annually, and may attain £18 million in the near future, the Syndicate was compelled last year to buy alluvial diamonds for stock, and at the end of 1926 was carrying over a million pounds' worth in addition to its stock of mine diamonds. Once more the monopoly was restricting its sales to maintain prices, while other producers unloaded their own supplies.

The substitution of alluvial for mine diamonds results in a considerable loss of revenue to the Union Government. Of the total profits of the diamond industry of the Union and South-West Africa, 20·46 per cent. accrues to the State; but while the Union mines yield 23·31 per cent., the State receives only 10·85 per cent. from the alluvial production. In the financial year 1925-6 the three Union mining companies paid no less than £1,600,000 in income tax,

South Africa

export duty and share of profits (in the Premier Mine), and in the present year the direct revenue from the industry is estimated at £2,000,000. The fall in the price of diamonds, and the danger of a collapse in the market if alluvial production is allowed to continue uncontrolled, are the immediate reasons for the introduction of the Precious Stones Bill.

The Precious Stones Bill

The Bill, of which a more detailed account will be found in the Appendix, was introduced by the Minister of Mines and Industries on April 25, 1927. It is a lengthy, complicated document, intended to provide for the control of alluvial production, and at the same time to codify part of the law at present governing diamond production in the four provinces. The desirability of such legislation is admitted on all sides, and was in no way questioned in the House of Assembly, but the Bill included certain other proposals which were not germane to its main objects, or necessary for the success of the measure. Heated discussion centred on these highly contentious matters. The refusal of the Minister to accept two amendments designed by the Senate to remove the more obnoxious of these proposals resulted in the Bill failing to pass on the last day of the session.

Throughout the Bill, the regulations proposed for the control of prospecting and production and for the determination of the rights and duties of prospectors, discoverers and landowners are framed to deal separately with the distinct cases of unalienated Crown land; Crown land of which the surface rights have been alienated; and private land. The Bill had evidently been drafted under great pressure, and no better proof of the anxiety of all parties to frame suitable legislation could be desired than the tolerance displayed whilst the Minister introduced endless amendments and re-amendments at the various stages of its progress.

Although general satisfaction with the main body of the

The Precious Stones Bill

measure was expressed on both sides of the House, a few minor points aroused strong condemnation, apart from the highly contentious clauses concerning sub-division of farms and the rights of corporate bodies. Outstanding was the provision in clauses 1 and 2 that the right of mining for and disposal of all precious stones is vested in the Crown, notwithstanding the rights of a considerable number of private owners in the Cape Province, who have acquired and hold their land with full title to any precious stones that may be discovered. The history of land tenure in the four provinces of the Union is already full of complexity; but, broadly, the position in this regard is that between 1688 and 1813 no reservation of precious stones to the State was made, whilst again, from 1843 to 1862, all grants were issued in freehold, and perpetual quitrent tenure could be converted into freehold. In consequence there is a fringe of farms extending from Piquetberg in the west to the Eastern Province, the owners of which possess full rights over any precious stones that may be discovered. In addition there are about 170 farms, comprising nearly one and a half million acres, in Griqualand West, which passed from the Orange Free State in 1870 to the Cape Colony, and which possess similar rights under the old "Free State" title. Of these latter farms, thirty-three, comprising about 300,000 acres, are owned by De Beers Consolidated Mines. Many protests were made during the progress of the Bill against any interference, without compensation, with the legitimate property of these land-owners, but the Minister was not prepared to allow the "immunity" of these farms to continue.

When the House went into committee on this Bill on May 20 the Minister avoided long discussion, and expedited the business of passing the non-contentious clauses by deferring consideration of the ten clauses which had aroused opposition until later. It was not, however, until a few days before the close of the session that the discussion was resumed, and it then became clear that the brief

South Africa

struggle would be concentrated on the retrospective provisions in clauses 20 and 73, which are described in the Appendix.* As regards the limitation on the holding of digger's certificates by corporate bodies, the Minister, when introducing the Bill, revealed an unexplained dislike for large-scale joint stock enterprise on alluvial diggings :

The main principle underlying this measure is that alluvial diggings . . . should remain the reserve and the preserve of the small man . . . The principle of the Bill is therefore . . . to eliminate all syndicates and companies, and to limit, as far as possible, alluvial diggings to natural persons.

No attempt was made to justify this principle on economic grounds. It would be illuminating to ascertain the average earnings of the "small men" on the diggings, many of whom have voluntarily assumed a standard of life probably lower than that of many Kaffir farm labourers, in the hope that they will ultimately be rewarded by a lucky find. It is at least very questionable whether family life on the diggings is socially so desirable that the State should frame legislation expressly to continue the present system in preference to a properly regulated, large-scale, joint-stock system of exploitation, such as is possible on diggings which promise to be as permanent as those at Lichtenburg. The Minister, during the course of his second-reading speech, had indicated that the retrospective nature of the provision might be modified : "We mention," he said, "the date June 30 last. I am not wedded to that date." After the Bill had left the House of Assembly, the attempt to persuade the Minister to omit the retrospective clause was continued in the Senate, and an amendment was there adopted substituting April 1, 1927, the approximate date on which the Minister first disclosed his intention.

Similarly, in connection with clause 20 dealing with the sub-division of farms, the Senate adopted an amendment limiting the retrospective application of the Bill to cases

* See the paragraphs therein printed in italics.

The Precious Stones Bill

occurring after April 1, 1927. It was urged that the Minister's innovation constituted an exceedingly dangerous departure from the Parliamentary principle that a Government must cut any losses it may incur through the deficiencies of its own legislation; and concentrate on the drafting of amendments which will stop up loopholes rather than on penalising the enterprising speculators whose very ingenuity in attaining their ambitions within the law serves to call attention to the law's deficiencies. The Senate's amendments were, however, rejected by the Government majority in the House of Assembly, and Parliament was immediately prorogued.

Not unexpectedly, the news of the rejection of the Senate's amendments caused a sharp setback in the diamond industry, but this was to some extent countered by an intimation from the Minister that "the Government is firmly resolved to proceed with the Precious Stones Bill at the coming session, probably in October, and, should it be necessary, the Government will confirm it at a joint sitting of both Houses." It is much to be hoped that in the meantime the Treasury will convince the Department of Mines and Industries that the interests of all concerned would be better served by the introduction of the contentious sections of clauses 20 and 73 as a separate measure.

APPENDIX

DESCRIPTION OF THE PROVISIONS OF THE PRECIOUS STONES BILL

Prospecting

Chapter I lays down the conditions under which prospecting may be permitted, and thus goes straight to the heart of the present trouble. In the Transvaal as many as two thousand people have congregated on farms under the guise of prospecting, and the mining commissioner has been greatly impeded in controlling prospecting by the fear of taking away the livelihood of large numbers of diggers. Under the Bill, no prospecting is to be permitted unless the Mining Commissioner is previously notified, and all prospectors (excepting owners of the land) must possess permits. Whilst a permit may be issued to all holders of digger's certificates, control is secured by reserving to the Minister the right to determine where prospecting may

South Africa

or may not take place (clauses 4 and 6), and by limiting the number of prospectors on private land to the owner and not more than five other permit-holders. In addition, the Governor-General may prohibit prospecting altogether (clause 115) when a maximum output has been fixed and is in danger of being exceeded. Commenting on the fact that twenty people prospecting at the mouth of the Orange River recently secured in seven weeks diamonds to the value of nearly £160,000, the Minister asked: "These finds being on Crown lands, on what principle should the prospectors there pocket the whole lot?" Clause 10 therefore provides that part of the proceeds from diamonds found by prospectors may be payable into the Consolidated Revenue Fund.

Discovery

The rights and duties of the prospectors who discover diamonds, and of the owners on whose land the discoveries are made, are defined in Chapters II and III. The Mining Commissioner is to issue discoverer's certificates, entitling the discoverer in the case of alluvial deposits to select a number of claims, varying in each province and according to the type of land tenure as shown in the fourth schedule to the Bill, and with a maximum of fifty claims on private land and twenty claims on Crown land to any discoverer. In the case of a mine the discoverer receives a three-tenths share if on unalienated Crown land, and a one-fifth share if on private land or alienated Crown land. After the issue of a certificate the Commissioner may stop all further prospecting. A fifth schedule to the Bill defines owner's rights in a similar manner, the number of owner's claims in the case of an alluvial discovery varying from 200 in the Orange Free State down to 23 in the Cape, for Crown land; and approximately twice this number for alluvial land. In the case of a mine the owner receives a half-share in the case of private land and a quarter share in Crown land, the share to include any rights he might claim as discoverer.

An important new provision contained in clause 20 lays down that where ownership in land has been sub-divided, with the object of increasing the number of owner's shares in the event of a discovery of precious stones, the Minister may direct that such sub-divisions be disregarded when computing the number of shares. One of the main reasons why the Bill was wrecked was the Minister's proposal to make this clause retrospective.

Proclamation

Chapter IV defines the procedure to be adopted in proclaiming or deproclaiming a mine or alluvial digging. Proclamation is not obligatory, but merely permissive—"at the discretion" of the Governor-General. As regards the exploitation of a mine, Chapter V lays down that the Crown's share of the profits (one-half in the case of a mine in private land, seven-tenths in Crown land) shall not be payable until the owner or discoverer shall have been repaid his capital and interest at a rate not exceeding 5 per cent. per annum; while losses are to be set off against future profits. In the case of small mines the Governor-General may farm out the Crown's interest to the mine-holder. The Crown shall contribute to reserve and similar funds in proportion to its interest.

The methods to be adopted in distributing claims in alluvial diggings are

Appendix

laid down in Chapter VI. Claim licences may be obtained from the Commissioner by all holders of digger's certificates. These are issued by a majority decision of the local diggers' committee, to persons of good character and over 18 years of age. The allocation of claims may be made by lot (a welcome improvement on the prevailing method of organising diggers' "races"), or in accordance with regulations issued by the Governor-General. The clause (51) proposes the doubtful expedient of empowering the Governor-General to confine the distribution to certain vaguely defined classes of diggers.

In an important clause (No. 73) it is proposed to prohibit any corporate body or association from holding a digger's certificate, either directly or indirectly, the provision to be retrospective in its operation as far back as June 30, 1926. The retrospective element in this clause, together with that in clause 20, was responsible for the wrecking of the Bill.

Chapter VIII sets up an Alluvial Diamond Board, consisting of six representatives of the diggers' committees, one representative of the private alluvial interests in Cape Province and one diamond buyer; the board to supervise the work of the diggers' committees and advise the Government on all alluvial matters. The issue of licences to diamond dealers is dealt with in Chapter IX. In the XIIth and last chapter, Section 114 prohibits public servants from holding claims or any financial interest in alluvial diggings.

Limitation of Output

The machinery for the limitation of output is laid down in Section 115, whereby the Governor-General is empowered to determine from time to time the maximum value of diamonds which may be sold from alluvial diggings, by any one or by all producers, in any area or in the whole Union. Thereafter he may prohibit the issue of any new digger's certificates, the proclamation of any new alluvial digging, or any further prospecting on either Crown or private land. In addition he may fix the minimum prices at which diamonds may be sold; and, finally, any or all of the provisions of the Diamond Control Act of 1925 may be applied to alluvial diggings, and conferences may be called of all producers to consider the future conduct of the industry.

South Africa.

July 1927.

NEW ZEALAND

I. INTERNAL POLITICS

The Meeting of Parliament

POLITICALLY the exceptionally long Parliamentary recess (September 11, 1926, to June 23, 1927) has been exceptionally dull. Economically its dullness towards the close declined into depression. The Government, for which the title "silent Ministry" has been suggested, has had extraordinarily little to say for itself. A comprehensive survey of the work of the Imperial Conference was published by the Prime Minister on May 14, the day of his return. On April 23 he issued a very important statement of the Government's naval policy, and on May 16 he received a hearty welcome at Dargaville from his constituents, whom he addressed at considerable length, though mainly in a retrospective fashion. As regards the finances of the Dominion a clear and candid review was given by Mr. Downie Stewart, the Minister of Finance, at Feilding on May 9. These were the Government's outstanding contributions towards the enlightenment of the public during a recess of nine months. Despite their large majority and their lack of oratorical power, their best friends would be glad to see Ministers more assiduous in educating and arousing the interest of the constituencies. The leader of the Opposition, Mr. H. E. Holland, who is also leader of the Labour party, and an excellent platform speaker, has

Internal Politics

been far more active. He has found, too, in the collapse of dairy control and the discontent of farmers and unemployed, subjects which secure him a better hearing than the ordinary Labour propaganda. From the leader of the other section of the Opposition, the so-called National party, the country has heard nothing at all; but Mr. W. A. Veitch, one of its ablest members, is leading a movement to reconstitute the party under the old name of Liberal and has delivered some effective public addresses.

The speech with which General Sir Charles Ferguson, the Governor-General, opened Parliament on June 23 followed recent precedents: It was thin, vague, colourless, and disclosed little of the real intentions of the Government. Even the references to the Imperial Conference were almost aggressively tame, and the one important statement of policy in this connection—the proposal to contribute to the cost of the Singapore naval base—had been previously published. In domestic policy most of the important issues with which the Government expects to deal—national finance, the Customs tariff, farmers' finance, land settlement, industrial disputes, and licensing—received bare mention, but little more. The economic conditions which are forcing attention to the first four items on this list were touched upon in the two following paragraphs:—

The question of land settlement has been receiving the earnest consideration of my advisers, whose difficulties in this respect have been greatly accentuated by the prevailing unfavourable economic conditions.

The protracted instability in the prices of our primary products in the world's markets, together with the increased cost of development, has been reflected in corresponding uncertainty in land values, and has so seriously affected the position of many of the country's settlers that available resources have been severely taxed in an endeavour to place them on a sound footing.

The second of these paragraphs was left to stand by itself. There was no indication that the Government had

New Zealand

any remedy to suggest or that they believed that one was needed. Mr. Coates had, however, already referred more specifically to the troubles of the farmers and to the kind of help that he had in mind in a speech at Palmerston North a week previously.

The available figures went (he said)* to show that 85 per cent. of the farmers' accounts were normal; the others were unsound, either through having paid too high a price for their land or owing to the costs being too high. There was far too much being said about the farmers walking off the land. It had been said that they had been marching off in tribes, but such a statement was entirely irresponsible. It seemed to him that what was desired was an organisation that would act as a go-between for the mortgagee and the mortgagor.

To check the Prime Minister's estimate of the proportion of farmers whose difficulties are due to their having paid too much for their land and received too little for their produce is beyond the power of an unofficial calculator, but everybody recognises the wisdom of his warning against the folly of aggravating the trouble by wild exaggerations.

The End of Dairy Produce Control

A matter of first-rate importance was omitted from the Governor-General's speech, though it has excited far keener attention than any other throughout the recess. The control of dairy produce was not even mentioned. The reason may be that the Government would prefer to leave it entirely alone as an issue which they regard as having already settled itself, though it is still very much on the nerves of large numbers of their supporters. The abandonment last March of the policy of price-fixing, brought into operation by the Dairy Produce Export Control Board in September, has already been described in *THE ROUND TABLE*.† The matter has since been the subject of keen controversy, especially

* *Evening Post* (Wellington), June 17.

† *THE ROUND TABLE*, No. 67, June 1927, p. 650.

Internal Politics

among the farmers, and it has certainly seriously prejudiced the Government's position with the class upon which its strength mainly depends. The telegram which Mr. Coates sent from London on October 27, pointing out the dangers of the experiment, is still a sore point with many of the supporters of control. They consider that it "let them down" unjustly. There are still unrepentant "controllers" who think that if it had had a fair chance the experiment would have succeeded, and that under more favourable conditions it may yet succeed.

But the Dairy Produce Board itself gives no encouragement to these impossible hopes. It has, on the contrary, gone back a step further from the extreme ideal. On June 16 the following statement was issued by it to the Press :—

The Dairy Board decided to-day that the pooling of the returns for creamery butter should terminate with butter graded up to and including April 30, 1927, when the second creamery butter pool ends. The pooling of cheese and whey butter returns ends with cheese and whey butter graded up to and including July 31, 1927.

So as to avoid delay in making advances with butter graded from May 1 onwards, the Board will temporarily attend to drafts, invoices, etc., as in the past, unless dairy companies or owners of the produce advise the Board or its agents that they will themselves be attending to these details and making alterations in destination or method of marketing.

The Board will continue to handle bills of lading and arrangements for insurance, as in the past.

The Board had already abandoned price-fixing in March; the pooling of produce has now gone too.

In the event of the New Zealand Dairy Produce Export Control Act again coming before Parliament (said Mr. Coates in his Dargaville speech), I am of the opinion that the word "control" should be altered. This term creates an impression that tends to prejudice our products in certain markets. I suggest as an alternative that a more suitable term would be the New Zealand Dairy Producers' Co-operative Marketing Board, or some other more appropriate designation.

New Zealand

It is, however, not merely the name that needs changing ; the idea of compulsory control should itself be abandoned. The dairy industry has received a serious blow and the legislature should see that there is no chance of its being repeated.

Industrial Depression

The financial stringency to which we referred* three months ago has since developed. Its more obvious causes are the poor prices which our principal exports, with the exception of wool, have been fetching ; the trouble into which the dairy industry has been brought by the experiment in price-fixing ; the high prices at which a great deal of our farming land has changed hands ; public and private extravagance and an adverse trade balance. The chief symptoms are trade depression, tightness of money, a rise in the bank rate, embarrassment among our farmers, especially dairy farmers, the spread of unemployment in the towns and the increasing demands for relief. The anxieties of a Minister of Finance at such a time are great. In this case, however, they have been, strangely enough, relieved through the far more serious sufferings of our friends in Britain. Mr. Downie Stewart had been afraid of a deficit. He actually found a surplus of £587,000, and the chief reason was the British coal strike which compelled our importers to buy from foreign countries, and so swelled our revenue with the higher *ad valorem* duties that resulted ! We can, however, hardly hope for another such windfall to ward off the drop which may be expected in our customs revenue during the current year, and the Minister tells us that an increase in taxation is now more probable than a decrease.

As a decline in imports is needed to restore our trade balance, a shrinkage in customs revenue has, however, almost become a thing to hope for. For the calendar year 1926 our imports were valued at £49,890,000 and our

* THE ROUND TABLE, No. 66, March 1927, p. 416.

Internal Politics

exports at £45,276,000, leaving an adverse balance of £4,614,000. It would be fallacious to compare the much better results obtained during the first quarter of 1927 with these figures, as exports are usually high and imports low during the first half of the year. But there can be no objection to a comparison between this particular quarter and the corresponding quarter of 1926, a test which shows that last year's favourable balance of £2,571,000 for the first quarter has been increased to £4,675,000, and almost entirely by a reduction in imports.

The raising of the bank rate by $\frac{1}{2}$ per cent. on May 9 should also help. It was, of course, inevitable that this turn of the screw should have seemed to those who are already feeling the pinch to come just at the wrong time. On June 18 the Wellington Provincial Conference of the Farmers' Union adopted, apparently without dissent, a resolution asking the banks to explain why the price of money should have been raised at a moment "when, owing to the low prices fetched by farm products, farmers were experiencing great difficulty in meeting their obligations." The action of the banks, said the mover, "is like kicking a man when he is down," and there have been many similar complaints. From the standpoint of the banks, however, the position was that the figures for the quarter ending March 31, as compared with the same quarter in 1926, showed a shrinkage in deposits of £1,773,667, whereas advances had increased by £2,515,668. During the year which ended on March 31 the position had indeed been altered for the worse to the net extent of £4,289,335, and the process had to be checked. As Mr. R. W. Gibbs, acting-Chairman of the Bank of New Zealand, said at the annual meeting of the shareholders on June 17:—

The banks had to choose between an endeavour to attract additional deposits by offering a higher rate of interest, or demand repayment of a considerable volume of advances. There can be no question as to the disastrous results to many traders and producers had the latter course been deemed the better.

New Zealand

Even so, it may be suggested, and it has been strongly urged by the Labour party, that the time was not opportune. In the opinion, however, of at least one competent authority, Professor Tocker, who holds the chair of Economics in Canterbury University College, "the present financial and economic situation in New Zealand might have been much better had the bank rates been raised and the warning given sooner." The rise in the rates has led the Economic Committee of the Canterbury Chamber of Commerce after a candid survey of the position to a guardedly optimistic conclusion. It notes the following less promising features in the situation :—

The first and most important of these is the fall in the prices of our exports, together with the low level and present downward trend of world prices. In practically all gold standard countries present price indexes are less than 50 per cent. above the pre-war level, and have fallen during the last two years. In Britain the movements of prices were disturbed by abnormal conditions during the coal stoppage ; in America and elsewhere they are more regular. It is possible now to see that the end of the present depression is not far, as it is due to the recent adverse balance of overseas trade, but unless and until the local prices of the sheltered industries are brought down nearer to the level of the world prices received by the unsheltered industries, the local market for the products of those sheltered industries must necessarily be restricted and some measure of depression continue.

But as regards the action of the banks the committee declares that "there was ample reason for raising the rates at any time during the past year," and goes on to say :—

It happens that rates have been raised at a time when all the indications of improvement are present in the trade figures, but no sign of improvement is yet visible in the banking figures. But the change in bank rates, together with the simultaneous alteration of exchange rates on London, will hasten improvement, for they will tend to curtail local expenditure and enforce economy, and therefore check importations and encourage exportations.

Industrial Arbitration

At a sitting of the Arbitration Court in Wellington on

Internal Politics

June 14 the President, Mr. Justice Frazer, said that he knew that the Court had come in for a great deal of criticism for months past, but that he was quite used to criticism from both sides.

Twelve months ago (his Honour added) the unions were attacking the Court. To-day it is a section of the employers. I suppose it is due to a little depression in the country.

Blessed is a Court when both sides speak ill of it, as long as they do it alternately and not concurrently; and Mr. Justice Frazer was right in suggesting that the Arbitration Court is in that happy position. It was to the farmers that the judge referred as the latest assailants of the Court. They have always looked askance at it, and the depression has intensified their dislike and provoked them to speak out. Directly, the farmer has suffered little from the attentions of the Arbitration Court. It has refused to fix the wages of general farm hands, but indirectly his budget has been affected by what the Court has done to fix wages for other industries. He is affected as a consumer because these decisions tend to appreciate the value of the products of the industries immediately concerned. They further affect him as an employer by establishing a standard of wages with which he may have to compete.

The Annual Conference of our Royal Agricultural Society on May 26 and 27 was the occasion which Mr. Justice Frazer may be presumed to have had particularly in view when he spoke of criticism. In his presidential address on that occasion Mr. W. Perry called the particular attention of the conference to "the vital question of the Arbitration Court."

I venture to state (he said) that New Zealand will not get back into her legitimate economic position and farm production will not expand as it should until this system of artificially holding up the cost of living is done away with.

Nothing less than a sentence of death on the whole

New Zealand

system would satisfy Mr. Perry. The seven counts of his indictment were as follows :—

1. The Act has failed in the very purpose for which it was passed, viz., the prevention of industrial disputes.

2. Awards made by the Court seem to be binding only on the employers ; when it suits them, labour unions do not respect these agreements.

3. The Judge of the Arbitration Court has too great power. The whole of the wage system of the country is under him, and there is no appeal from his decisions.

4 The Court fixes the value of one commodity, viz., labour, without having the power to fix the value of the product of that labour.

5. The Court fixes a minimum wage in money without having the power to fix the amount of work to be done in return for that wage.

6. The awards made under the Act have a detrimental effect upon efficiency, and foster the "go slow" policy adopted by many workers' unions.

7. The awards of the Court are based upon the cost of living, without taking into consideration the economic condition of the industries concerned, or indeed of the whole country.

Mr. Perry appeared to regard the sixth count as responsible for the most serious mischief in the wage fixing system.

It is not the amount of wages (he argued) that the Court awards which is causing stagnation in this country, but the bringing down of all workers to the same level. Where would American cheap production and high wages be under New Zealand conditions ? They would be impossible.

The meeting was described by one of the delegates as "as representative a gathering of producers as would ever be got together," yet nobody, unless it was Mr. Perry himself when he admitted that "the Court had acted in the past as a 'safety-valve' between employer and employee," appears to have had a good word to say for the Arbitration Court. There were, however, some who considered that its total and immediate abolition would be too drastic a step, and that a Commission of Inquiry would

Internal Politics

meet the case. But the only effect of their dissent was a motion advocating the repeal of the Industrial Conciliation and Arbitration Act, which was carried by a majority of 3 to 1, and another one suggesting an inquiry into the wages system, which was then carried unanimously.

The Royal Agricultural Society's Conference was the occasion for another valuable contribution to the discussion in the shape of an address from Mr. B. E. Murphy, Professor of Economics at Victoria University College. The perpetual controversy in which the system of compulsory industrial arbitration has spent the first 32 years of its life has rarely, if ever, been illuminated by criticism at once so keen and so just. The advantages claimed for it were summarised by Professor Murphy under four heads:—

1. It secured uniformity of industrial conditions, standardised competition, put all employers on the same level, and prevented "good" employers from being undercut by "bad" employers.
2. It threw a useful light of publicity on industrial conditions.
3. It prevented sweating and raised the standard of living and the wage level.
4. It abolished strikes.

Of Claim No. 4 alone does Professor Murphy bluntly say "this is untrue," and it is indeed now quite out of date.

From the inception of the system until March 31, 1915 (he points out) the total number of strikes in New Zealand was 148—53 in contravention of the Act and 95 outside it. From 1906 to 1925 the total number of stoppages was 695. Many of these were trivial, but the figures made it plain that the Act could not be defended on the ground that it had prevented industrial stoppages.

By a happy coincidence New Zealand's first Industrial Arbitration and Conciliation Act came into operation in 1895, and for the first ten years of its existence it got the credit for the rise in wages which must in any event have followed the rise in world prices that began in 1896. During this period New Zealand was indeed "a land without strikes" and truthfully advertised as such in a

New Zealand

volume by Mr. H. Demarest Lloyd which bears that title. But this record was spoiled when our long spell of prosperity received a slight check and the unions began to discover that it was possible to come away empty-handed from an "industrial dispute" in the Arbitration Court. These twelve years of prosperity must also, as Professor Murphy points out, be given some of the credit claimed for the system in the matter of sweating and the standard of living (Claim No. 3); and there was a third contribution in the form of other industrial legislation. Claims Nos. 1 and 2 are allowed by him to pass unchallenged except that a set-off to the value of publicity is noted in "the drawback of making the parties posture for public sympathy."

Professor Murphy's analysis of the defects of the system may be summarised as follows :—

(1) The Act laid down no principle for the guidance of the Court, and the tests applied by the Court, singly or in various combinations, were the standard of living, wages of similar groups doing similar work in other industries, what the industry could bear, and the general economic situation. The standard of living was the most favoured basis, because it was the easiest to apply and most in accordance with ideas of social justice. But when the wage fixed on this basis was greater than the value of the worker's services the Court was face to face with an insoluble question.

(2) The Court was not sufficiently flexible to accommodate itself to the changing requirements of industry. Awards which were legislative in their nature and operated over large areas with no modifications to meet local circumstances imparted an element of rigidity where flexibility was needed: "Industrialism submitted uneasily to the strait-jacket of a procrustean legal system."

(3) This rigidity made for inefficiency, and so did the contentious spirit which the proceedings fostered in the parties. "The representatives of both sides are a race of quasi-barristers who enjoy the game for the zeal of the chase," and men were encouraged "to look for increased reward to contention rather than to production."

It is beyond question that the litigious spirit which the system developed has frustrated the intentions of its founders. Their idea was that the great majority of disputes would be quietly settled by informal proceedings

Internal Politics

before the Conciliation Boards, acting as tribunals of first instance. But the practice once attributed to the Irish of "fightin' like devils for conciliation" was so vividly followed, regardless of party or nationality, before these tribunals, that in 1900 parties were given the right of direct access to the Arbitration Court. Industrial litigation of a less vehement kind has been incessant ever since. The Court is indeed flooded with "industrial disputes," which in the old days would never have seen the light as disputes at all, and, except for the purpose of giving the Court jurisdiction, would not have seen it to-day.

After referring to the distinction between sheltered industries which are not exposed to external competition and unsheltered industries which have to compete with foreign commodities in the markets of the world, Professor Murphy points out that farming, "the most important unsheltered industry in the Dominion," though not directly affected by awards fixing wages in sheltered industries, is indirectly affected because "all workers tended, whether under the Act or not, to demand the minimum wages fixed by the Court." The farmer was accordingly "ground down between the upper millstone of the world price for commodities and capital and the nether millstone of an artificially protected wage level." This process Professor Murphy illustrated with the help of figures taken from the Canterbury Chamber of Commerce Bulletin :—

The export prices were about 48 per cent. above pre-war level, the import prices, and wholesale prices generally, about 56 per cent., and award rates and cost of living about 76 per cent., and prices in certain sheltered industries (milled agricultural products, etc.) about 91 per cent. It was thus seen that the sheltered industries were paying wages about 76 per cent. above pre-war level, and getting prices about 91 per cent. above pre-war, whereas the unsheltered industries were paying wages about 76 per cent. above pre-war, but getting only 48 per cent. above pre-war values. There could be no economic stability until these maladjustments were eliminated. While it would be incorrect to blame the arbitration system for the

New Zealand

whole disparity, there was little doubt that (a) the maladjustment was in part caused by award rates, and (b) the readjustment is in great part hindered by award rates.

The chief remedies suggested by the professor for these defects in the existing system are the repeal of the Industrial Conciliation and Arbitration Act, the restoration to the unions of the right of collective bargaining, including the right to strike but subject to the provisions requiring a ballot, notification, etc., which are contained in the Labour Disputes Investigation Act, 1913; and the fixing by an expert tribunal of a minimum wage. This minimum wage was to be varied only at long intervals, and not to be immediately responsive to changing prices. The immediate effect of this programme would, Professor Murphy admits, be a larger volume of stoppages, but he is satisfied that the ultimate results would be beneficial.

It would make the parties more responsible (he says) since they could not shift the responsibility for industrial conditions on to the Court. It would get rid of the vexatious minutiae of regulations that are hampering industry to-day. It would restore the view that wages really depend on production, and not, as they seem to do, on the fiat of a tribunal. It would restore responsibility to the union officials, since they could no longer blame the Court for the results of their own folly. It would allow of easier and quicker adjustment of price levels and wages.

In the meantime there is more strife than ever and the uncertainties of this initial period make it unlikely that either party will be ready to give Professor Murphy's proposal a trial for a long time to come. The advantage claimed for Parliamentary government of avoiding big shocks by multiplying small ones has certainly been realised in our system of industrial arbitration. It has given a peace in our time which has not been seriously broken more than two or three times in the course of 32 years. A generation which knows no other system will hesitate to let loose the waters of strife in the hope

Singapore and Locarno

that after they have had time to run off the result will be a more settled calm.

II. SINGAPORE AND LOCARNO

THE Prime Minister's stipulation on the eve of his departure for the Imperial Conference that he should in accordance with precedent be given a free hand did not imply any indecision on the part of the Government with regard to the principles to be applied to the immediate issues of naval defence. As long ago as August 15, 1922, Mr. Massey had declared in his Financial Statement that

The Dominions cannot allow such a very large proportion of the total cost of the naval defence of the Empire to be carried by the taxpayers of the United Kingdom: to do so would be grossly unfair and unpatriotic. The countries of the Empire should contribute to the defence of the Empire, naval defence particularly, in proportion to their financial ability.

In his last three budgets (1922-1925), Mr. Massey continued to advance as steadily in the direction of this ideal as the country's straitened finances would, in his judgment, justify, and in the budget for the year 1923-24 he took the important step of providing a contingent vote of £100,000 to meet part of the cost of the naval base which the British Government had decided to construct at Singapore. In the statement on the agenda of the Imperial Conference which Mr. Coates submitted to the House of Representatives on September 1,* he adopted the attitude of his predecessor on both these points. "This country," he declared, "is not yet bearing its full share of the burden of naval defence," and he concurred with the Prime Minister of Australia in regarding the Singapore base as "an indispensable necessity for the adequate defence of British possessions."

* See THE ROUND TABLE, No. 65, December 1926, pp. 221, 222.

New Zealand

He desired, however, to consult the Imperial authorities about the objects to which any possible increase of naval expenditure should be applied before coming to a decision.

The Prime Minister had little to say on Imperial affairs after the comprehensive statement on the work of the Imperial Conference which he issued on the day of his return (February 14), but on April 23 he announced the decision of the Government. The eve of Anzac Day—a day which since 1922 has been a statutory Sunday and is still observed with undiminished solemnity—was the right time for an appeal to the country's patriotism and sense of Imperial responsibility. Mr. Coates explained that, like Australia, though in a smaller degree, New Zealand had been embarrassed by the change of plan about Singapore. New Zealand at that time maintained two "D" class cruisers and was contemplating a third. No additional "D" class cruiser was, however, available, larger vessels would soon be needed, and the claims of Singapore had to be met. The Government would accordingly submit the following proposals to Parliament :—

(a) The sum of £1,000,000 will be paid to His Majesty's Government in Great Britain as a contribution towards the cost of the Singapore base. This amount will not be paid as a lump sum, but will take the form of annual payments spread over the period between the present date and the date of completion of the base, estimated at seven or eight years.

(b) A third "D" class cruiser will not be maintained, but when it is necessary eventually to withdraw the two existing cruisers they will be replaced by two "B" class cruisers. These ships have a tonnage of 8,400, and the estimated annual cost of their maintenance will be £300,000 each as compared with some £230,000 for a "D" class cruiser.

(c) During the period between the present time and the date when the "B" class cruisers will be taken over, necessary alterations in the equipment and plant of the New Zealand naval base will be required for the upkeep of "B" class cruisers and will be undertaken between now and the date when the new cruisers are taken over.

Singapore and Locarno

The Prime Minister added that this deviation from the policy of devoting the whole of our naval expenditure to the New Zealand Division was only temporary, and as soon as the Singapore scheme has been completed and our obligations with regard to it fully discharged, that policy will be resumed. There was really little need for this assurance, for the object of the self-reliant policy on which Mr. Coates laid particular stress, viz., "of developing in the Dominion a spirit of pride and attachment to the ideals of the present navy, and of providing a means of deepening the 'sea-sense' characteristic of the people from which we have sprung," has made little progress. The country is as proud of the British navy as ever, but it has not come to regard its own Division with the special pride and sense of responsibility that Sir James Allen had in view when he launched the scheme, and one of the reasons is that none of his successors has pushed his ideal with the zeal that Sir James himself displayed. The people seem therefore just as willing to see their money go to the Singapore base as to another cruiser, recognising that on such a matter the conclusion arrived at by their Government after consultation with the Admiralty is good enough for them. Mr. Coates's proposal has accordingly had just as good a Press as Mr. Massey's support of the Singapore scheme always had.

It was, of course, inevitable that the Labour party should be against the proposal. Their Parliamentary leader, Mr. Holland, promptly proclaimed their intention to oppose it strongly,* but the force of his opposition is discounted by the knowledge that it would have been equally strenuous against the spending of the same sum, or any sum, on a third cruiser, that the vote for the second cruiser was denounced by his party's organ as "Money for Massacre," and that no proposal that makes for the naval or military efficiency of the Dominion or the Empire has yet met with their approval.

* *The Dominion*, April 26.

New Zealand

In contrast with the satisfactory manner in which the Government proposes that the country should recognise its responsibilities with regard to the Singapore base is the way in which the responsibilities of Locarno are to all appearance being ignored. In neither of the Prime Minister's statements about the Imperial Conference nor in any of his speeches since his return has Locarno been so much as mentioned.

Our lips are now forbid to speak
That once familiar word.

Before the Imperial Conference met it was generally recognised that the attitude of the Dominions to the exemption which Article 9 of the Locarno Treaty purported to give them from its obligations would be one of the crucial tests, if not the supreme test, of the Conference. To the solution of this great problem the Imperial Conference has made two contributions. It has provided a "specimen form of treaty" which obviates the invidious necessity for an exemption clause by showing that the British Empire no longer makes treaties, that its treaty-making power is now in commission between seven different countries, that each will speak for itself and for nobody else, and that, though the King's name may be used throughout, it will be in a limited and a different capacity in each case. If this view is incorrect, the reason may be that the new practice as defined by the Balfour Committee tends, in the lay mind, to produce the very "obscurity and misunderstanding" of which it accuses the old practice.

The other contribution made by the Imperial Conference to the Locarno problem was the statement "that, from the standpoint of all the Dominions and of India, there was complete approval of the manner in which the negotiations had been conducted and brought to so successful a conclusion," and the congratulations to "His Majesty's Government on its share in this successful

Singapore and Locarno

contribution to the promotion of the peace of the world." Unanimous approval and congratulation, but not a single suggestion that these pleasant sentiments should be put to a practical test by the Dominions' contracting-in under Article 9 and sharing with Britain the obligations of the Treaty! As long ago as November 18, 1925, Mr Coates said that New Zealand would deem it a privilege to stand by Britain's side in this matter,* and that he would move Parliament accordingly. But, apparently in the interests of harmony at the Imperial Conference, the ratification was postponed from last session.† The Prime Minister's silence on the subject, moreover, since his return and the absence of any reference to it in the Governor-General's speech suggest that he may have picked up some similar reason for further delay at the Conference. It will be unfortunate if in such a matter the pace of the Dominions is to be the pace of the slowest, and if the least centrifugal of them is to be guided by the most individualistic. Whatever the decision of our Government may be, its attitude on the question of the Singapore base puts it beyond doubt that it does not believe that, without any preparations on the part of the Dominions, "all will be right on the night," or that the darkness of Armageddon would be appreciably relieved by the glittering generalities of the Balfour Report.

New Zealand.

July 1927.

* See THE ROUND TABLE, No. 62, March 1926, pp. 440-443.

† See THE ROUND TABLE, No. 65, December 1926, pp. 218-223.

THE END OF THE LINE

The end of the line is a place where the world is at its most beautiful. It is a place where the sun is always shining, and the water is always clear. It is a place where the people are always happy, and the life is always good. It is a place where the end of the line is the beginning of a new life.

THE END OF THE LINE
THE END OF THE LINE
THE END OF THE LINE

127



C51

0	E	E	E	□
1	3	2	8	
2	E	3	2	
3	2	3	5	
4	5	3	8	
5	E	8	5	
6	3	8	5	

0	E	E	E	□
1	3	2	8	
2	E	3	2	
3	2	3	5	
4	5	3	8	
5	E	8	5	
6	3	8	5	